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Tamil Nadu-An Economic Appraisal 1990

Some Comments on Some of the IMF "Conditionalities"

Education as a Resource

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Climate and Prices

June continued to be hot and sunny in the first half. The delayed south west monsoon advanced into Kerala in the first week of June, with scattered showers over Tamil Nadu. However by then 13 of the 22 districts had been declared drought affected, with 4 of them-Coimbatore, Periyar, Pudukottai and Salem being "very badly" affected. Particularly they faced drinking water problems on which by then the government spent Rs. 17.72 crores-Rs. 15 crores by the state government and Rs 5 crores from Jawahar Rozgar Yojana. CSO's monthly abstract for November 1991 is still the latest available and so the prices reported in May/June issue as of August 1991 for the index number of consumer prices for the industrial workers, agricultural labourers upto August 1991 and for urban non manual employees as of May 1991 is the latest available. For the city and over the state, prices of vegetables have risen sharply by 40-50 per cent, due to it is claimed, to the sudden drop in availability from the neighbouring Karnataka facing heavy rain in the area.

Power

During June, power in the state was affected by the shut down in the two Neyveli units following the strike for obtaining the demands of the workers on the dismissal of two officers, along with the national strike called by the trade unions to protest the national economic policy and its effects on workers. In addition to this 4 day half in Neyveli generation, AP drew 7 million units per day from the Tamil Nadu grid during the last fortnight of the month. The Tamil Nadu share from the Ramagundam Super Thermal has also not been available, so that the question of delinking from the southern grid has been considered. It is hoped that this short term

problem will not lead to the delinking. The other thermal plants in the state at Tuticorin, Mettur and Ennore and the Atomic plant Kalpakkam along with the hydel reservoirs which began picking up from the monsoon inflows which in the Nilgiris have started satisfactorily, helped the state over this crisis of power. There were other problems faced by the state. The government announced at the beginning of June that from June 2 the free supply of power to farmers will be abolished and instead a lump sum levy of Rs 100 per HP a year for agricultural pumpsets will be levied, with an exemption for small farmers. This power charge is to be collected in two half yearly instalments and would bring Rs. 55 crores per annum. The chairman of the Power Finance Commission has pointed out that even this tariff was very low and did not conform to the decision of the states power ministers to charge a minimum of 50 paise per KWH (See Vol XXII p233 & Vol XXI p493). However due to strong opposition by political parties and large farmers, on June 18 the government withdrew this charge and restored free power for pumpsets. This is a retrograde step which the government and TNEB cannot afford. For the current year, TNEB faces a huge revenue gap of Rs. 610 crores and its only means of meeting a substantial part of this gap is through a subsidy from the state government which it is not able to make, such a payment without increasing its deficit. The state government's subsidy is expected by the Board to remain at the same level as in the past - Rs. 300 crores as direct subsidy and Rs 110 crores by way of waiving interest on loans. The proposed levy would have netted Rs. 50 crores, as earlier noted, which would have reduced the government subsidy by that amount but that is not so now. The state announced that it proposes to add 1168 MW power capacity during the VIII Plan for which an allocation of Rs. 3000 crores has been made, the present installed capacity of the state being 4310 MW.

The power situation in the country in June was a difficult one. In most states there were power cuts to keep the demand for power in line with the available supply. There was expectations of relief from the monsoon but even so the south west monsoon which brought heavy rains to Kerala's coastal areas has eluded the catchment areas, making the possibility of lifting the prevailing power cut somewhat remote. Following the uncertain and late monsoon, the low hydel storage and inadequate coal supplies point to an acute power crisis particularly in the north eastern states and Kerala which depend solely on hydel generation while even AP, Karnataka and Orissa with an ideal hydel - thermal mix have imposed 20-60 per cent cut on heavy industries. In June the question of the power tariff has been a major subject of discussion. An IBRD team came in June to review the $400 million loan proposal for major power transmission projects of the National Power Transmission Corporation (NPTC) and also oversee the much controversial transmission of assets of NHPC and NTPC to NPTC which is linked to this parrying question. The World Bank has laid down certain conditions for this loan which the power ministry is resisting, such as the transfer of the Regional load despatch centres from CEA to NPTC. Further, the National Thermal Power Corporation and the World Bank are in disagreement with the financing pattern to be adopted for the 3 major power projects - Rihand II, Vindyachal II and Faridabad - with a capacity of 2400 MW and worth over Rs. 6000 crores. The

government states that it will set up a national tariff board and five regional boards for rationalising the tariffs levied by the State Electricity Boards, but this does not meet the World Bank's criticism of low State Board tariffs because the proposed tariff board will have only recommendatory powers which will not be binding on the SEBs. The government hints at a unilateral decision to raise the union sector electricity tariff rate by 12 to 13 per cent which will only widen the gap between the union and the states charges. In a last ditch attempt to collect its overdues of Rs. 1200 crores from the State Electricity Boards (SEBs), NTPC is said to be planning a cut in electricity generation in its various stations and so regulate the flow of power to the SEB in accordance with its payments. The other major issue in the power sector in June is the role of the private sector in power generation. On June 17, the government opened the doors to fully owned US and other western countries enterprises to invest in the country's power sector and set up new giant power plants. A week earlier, 8 private foreign companies gave initial commitments to the government for investing $4.4 billion for generating 4700 mw electricity. In addition 6 private foreign companies have indicated to government, according to the power ministry, that they would like to set up projects totalling 2000 MU. A task force comprising officials of the World Bank, International Finance Corporation and Department of Power has planned to be set up to "coordinate and catalyse private power project" in specific states through the system of "pioneer projects". On particular projects, the government announced that the completion of teesta stage III hydro electric project in Sikkim is to be further augmented and that the World Bank has given the green signal to several urban electrification improvement projects and construction of transmission lines in AP, MP and Gujarat under its $260 million loan to PFC, earlier referred to.

Water

The major event in the water area in June was the release of Mettur waters for irrigation of 6.5 lakh acres from June 12, for the first time in 8 years. The initial discharge was 5000 cusecs raised to 15,000 cusecs. The Mettur water level was 91.55 feet against the full level of 120 feet and the inflow a meagre 183 cusecs. Because of heavy rains in Karnataka, the Kabini reservoir was overflowing and water from it has been released which will be 50,000 cusecs reaching Mettur by the end of the month (June). The other three events in the water area to note are: a) the south west monsoon which has been active over the Nilgiris district is not only beneficial to the hydel reservoirs, but is also helping the standing crops like potato, carrot, cabbage, cauliflower and spices over Udhagamandalam, Gudalur, Sholur etc. b) The government used the mid June visit of the World Bank team to appraise the Rs. 500 crores transmission and distribution network for the Telugu Ganga project which it is to assist: and c) The best part of Tamil Nadu's surface water potential (83 per cent) having already been exploited, the little that remains is of lower dependability and can be harnessed only at a heavy cost, according to the Evaluation and Applied Research Department of the state government. It has suggested the modernisation of the existing irrigation system which calls for a huge investment but which will take care of future irrigation needs.

Urban Development

HUDCO announces projects of Rs. 793

crores to Tamil Nadu, of which Rs.123.14 crores is for 1991-92. The Guided Urban Development Programme (GUD) is a pilot project in the Madras Metropolitan Area with an allocation of Rs. 2 crores for the first year. It is a component of the World Bank aided Tamil Nadu Urban Development project involving the purchase of low income serviced plots from private developers for research and provision of offsite infrastructure and community facilities. It is being implemented by MMDA, during the first year 10,000 serviced plots for the LIG and EWS are being readied. Along side the UN Centre for Human Settlements Sponsored Sustainable Cities Programme and the metropolis is also expected to start in July. It is a technical cooperation programme to support municipal authorities to improve their environmental planning and management capacity to provide these facilities for which the UNDP is to provide $650,000 which will help establish a development model for the city to make it environmentally sustainable. This programme is also parallel with the state government's Rs. 150 crore special self sufficiency programme in town panchayats over a 3 year period which will provide basic amenities in all villages. For Madras city, a beautification programme is under way involving the cleaning of the marine and removing its accumulated garbage, providing water supply to prevent slum dwellers in the vicinity, digging open wells in the marina and the use of the marina as a public convenience, controlling the proliferation of hawkers and giving fishermen alternative means for housing their equipment and drying their nets. Also cattle is to be removed from the city and the sticking of posters prohibited. The Union government announces a plan to form an Indian Building Congress to concentrate on issues and problems of the housing, industry - public, cooperative, and private. HUDCO's 1991-92 programme of Rs. 123.14 crores has upgraded urban shelter units under Nehru Rozgar Yojana (Rs. 17.49 crores), construction of market complex at Lily Pond (Rs. 43.46 crores), low cost sanitation cum scavenger liberation programme in 170 towns plus 107 municipal towns this year (1992-93), at the end of which the state will be scavanger free. The government announced in June that it plans to set up State Rental Tribunals, outside of court jurisction to settle all housing matters.

Transportation

Work on the gauge conversion on the Madras Dindigul line is now broken into: a) conversion work from Dindigul to Tiruchi, b) the completed Dindigul to Madurai section and c) the plan for a new BG line beyond Madurai which has been begun this year. So work has now started from the Madras end and all that is needed is to change the metre gauge track to the widen guage lines. The target for the Southern Railway is to complete the gauge conversion from Madras to Dindigul by 1995. An integrated cargo exportation plan for Madras airport has been developed to meet the increased cargo inflow and outflow that Madras airport will face in 2000. The cargo plan will use the latest technology. Also with the highways department, a flyover between the airport exit and Trisulam railway station, a commercially viable subway on the Grand Southern Trunk Road are being planned The programme of Diesel substitute for buses is being given a push through the pilot project to run buses using Compressed Natural Gas (CNG) with the 6 month intensive trial from July. It is to use a complemedt of 10 buses of the Cheran Roadways Corporation (CRC) in the Nagapattinam-Thanjavur route. So far

8 buses have been modified to run on CNG diesel dual fuel modes. This programme is already showing 70 per cent of diesel saving which is needed by the state and country.

States Fiscal Policy

The question of the states' fiscal policy is going through several phases. Starting with a large deficit of Rs. 898 crores in 1991, the stopping of the cheap liquor scheme costing Rs. 322 crores raised the deficit to Rs. 1220 crores. With careful fiscal management, the deficit was reduced to Rs. 322 crores in the 1992-93 budget. The government has had to face several DA burden (see Vol XXI p548), a further increase in the rice subsidy (see Vol XXII p231), an incentive scheme to lower the cost of interest and penal interest as an overdue to farm loans has increased the deficit to about Rs. 700 crores The government has tried to: a) increase bus fares but had to retreat on it (see Vol XX1 p541), b) increase the price of PDS rice to the non poor but also retreated on it, c) levied a small change for electricity for pumpsets but also had to give it up as noted earlier-so that the Annual Plan of Rs. 1751 crores which the government fought hard to get and the Five year Plan of Rs. 10,200 crores are in some jeopardy. The government has allowed IMFL shops be licensed for bar which can sell liquor which will bring in Rs. 100 crores from the shops and Rs. 300 crores from the bar licenses. This retreat from the prohibition policy is inescapable, only what has happened is that the poor man's liquor has been banned, while the well to do get theirs at the IFML shops and bars. Again in order to earn more revenue the government has levied a sales tax on sale of REP licenses, which have now been abolished with the partial convertibility of the Rupee. Another fiscal burden on the government is its decision on 'Kist' remission which will total Rs. 75 lakhs based on reports from collectors in the drought hit districts. Thus at the end of the first year of its rule, the government is in an uncomfortable fiscal situation because it has not been able to take hard decisions and stand up for them.

Mining Policy

The union government has called on the state government to formulate a mining policy for minor minerals. Now this task is a state government activity but had allowed a part in it under certain conditions. The policy should spell out the conditions so that every one would know what they are.

National

Plan

The Annual Plan for 1992-93 is facing serious problems of resource mobilisation following the securities scam reported in the last issue. Key sectors such as railways, power, communication and petroleum which were to raise a good part of their resources (Rs. 11,000 crores out of Rs. 40,000 crores) by raising money from the market have been asked by the finance ministry not to do so for the time being. The states also were to raise Rs. 4100 crores from the market-which makes a large Rs. 15,235 crores from the market. The Plan has also a rather unorthodox entry called negotiated loans which involve some state governments using the Infrastructure Leasing & Financial Services (IL & FS) to advance

loans to build infrastructural facilities on mutually acceptable terms This scheme enables the state to inflate the plan without higher union plan assistance or increased market borrowings. They carry lower interest at 11-12 per cent, do not form part of "market borrowing" and are outside IMF conditionalities which lay down ceilings of union assistance to states and the extent of market borrowings. Some of the deficit states like UP, West Bengal are relying on this source-which is really a subsidiary of SBI and so seems to be a way of getting around a real obstacle. The commission states that it is launching a micro level planning and participatory development project in 150 blocks this year, with a 3 tier institutional system with local communities at the village, block and district levels to identify needs, work out priorities and implement plans.

Prices

The inflation rate for May using the wholesale price index on a point to point basis is a little over 1 per cent, the index standing at 220.9 on May 30. The annual rate of inflation stood at 12.8 per cent using the 'disposed' components of the provisional index of 1992 with the final index of 1991 and stood at 13 per cent using the provisional index of both years. This is far away from the 9 per cent commitment made to IMF in the August 1991 memo (See Vol XXII pp66 & 67). The major elements for the inflation rate moving up in May was rise in food prices - jowar by 3 per cent, rice, wheat and moong by 1 per cent each. Coir fibre rose by 3 per cent, rubber 7 per cent. The consumer price index for agricultural labourers has been rising faster than the other indices - which means that the rural poor are bearing the brunt of the inflationary pressure.

Budget and Stock Exchange

The Union government on June 19 announced reductions in union excise and customs duty for motor cars, light commercial vehicles, TV sets both colour and black and white, bulk drugs and drug intermediates. These concessions amount to over Rs. 100 crores in a full year but much of this loss is expected to be compensated by higher revenues through large sales and imports. On the stock exchange front, the new guidelines on capital issues by SEBI is not that they level the field for play between dispersed unorganised investors and powerful corporations, but because with these SEBI has established a supervisory mechanism which the government had irresponsibly jettisoned in the name of marketisation. The free play given to hustlers and manipulators helping to raise prices of corporate issues, mushrooming private placements, so that the SEBI guidelines is one of damage limitations In time SEBI's regulation will ensure that corporate power is not abused to the detriment of the investor and that he is given detailed information to assess risk and reward. This is an important and replaceable service of SEBI to the investor which the market cannot perform. The market as the focal point of a variety of institutions stock brokers, credit rating agencies, company auditors whose profiting and, accountability has to be established. SEBI will have to be contend with both corporate power and resistance from bureaucrats in government and financial institutions. This dangerous combination will have to be broken. The Janikaraman Committee of RBI has found that the multi crore scam amounts to Rs. 3078 crores, with the National Housing Bank

in the lead with an involvement of Rs. 1200 crores, along with many account payee cheques drawn on the RBI in favour of SBI and Grindlays being put in Mr. Mehta's acount. There was indiscriminate issue of Bank Receipts (BRs) and lack of monitoring by RBI. Above all the real loss is placed at a small higher Rs. 17,000 crores and several banks, financiers and even politicians are alleged to be involved in the scam.

Tenth Finance Commission

On June 15 the government announced the constitution of the X Finance Commission under the chairmanship of K.C. Pant with Mr. Debi Prasad MP, BPR Vittal a former IAS officer and Dr. C. Rangarajan and Mr. M. C. Gupta IAS Member Secretary. It has been asked to recommend the distribution between the union and states of the net proceeds of taxes which are to be decided between them and also the principle to govern the grants in aid of the revenues of the states out of the consolidated fund. The normative approach of IX Commission has been dropped. The union expenditure on administration, defence, border security and debt servicing is to be taken into account against the demands for transfer of more resources to the states. The commission has also been asked to look into the need for ensuring reasonable returns on investments by the state in irrigation, power, state transport, departmental commercial undertakings and public sector enterprises. Thus 5 out of the 9 issues that the commission is to study and make recommendation to deal with the financial relations and seems to follow the finance minister's statement at NDC last month-that there is little scope for an additional devolution of funds from the centre to the states who are now expected to look inwards to increase their finances. This is the reason why the commission is asked to look into the tax effort in the state and the need for ensuring reasonable returns on its investment. Also the need to reduce fiscal deficit of the union and state governments-not only the revenue deficit as in the past. Also it is good that the norms on for returns on past investment have been dropped but some norms for returns are necessary to put all states on a level playing field. The use of the 1971 population data is good as it will not reward states which have done little to limit the growth of population. These arrangements may not add to the revenues of the state governments and the union will not be in a position to increase the share of the states in excise duties and income tax receipts. The question of how large industrial centres which are making a significant contribution to revenue through corporate taxes can be helped to strengthen infrastructural facilities with union subventions on a defined basis needs attention. The task before the commission is formidable - how to keep revenue and fiscal deficits both of the union and states down, how to share tax revenues equitably and optimally, how to get both union and states to increase the returns on their investments, and above all to give the state a little more financial leeway so that they can fulfil the developmental responsibilities that the constitution has entrusted to them. It is the feeling of this Bulletin that this last can be achieved only if the union is made to pull in its proliferating financial scope. And that the commission must ensure.

Economy

In June there were a number of comments on the Indian economy by

the World Bank, OECD, Standard and Poor and other outside bodies. The World Bank: a) gives Indian economic reform programme its strong backing as evidence of which it released on June 23 the second and final tranche of $200 million of its structural adjustment loan, b) feels India has not yet turned the corner on the BOP problem and that the Indian foreign exchange position is acute as it was in the last 3 years, for which it has recommended that the aid to be pledged by Aid India Consortium should be at last year's level of $6.7 billion, c) is critical of the government failure to bring about the necessary reforms in the financial sector and to formulate an exit policy which is crucial to attracting foreign investment, and d) warns that any delay in reducing the budget deficit or in implementing structural reforms will erode the credibility of its economic readjustment programme. The Organisation for Economic Cooperation and Development in its comment states that India's liberalisation efforts are deliberately weak and undefined due to the strong domestic constituents in favour of retaining the protective inward orientation to the trade regime. This conclusion is in its 4 nations - Brazil, Korea, Thailand and India - comparative liberalisation performance review. The study says that the 4 countries had differences in the degree of the policy shift and hence in the success achieved. It forecasts a 4 per cent overall growth in 1992-93 against 2 per cent in 1991-92 and a narrowing of BOP deficit. Standard and Poor, the US credit rating agency, has warned that India's failure to reduce inflation fast or stimulate quicker economic grow h could delay critical fiscal consolidation or encourage other policy slippages that would erode external financial support. This, it points out, will postpone the reversal of India increasing a heavy net external debt burden which reached an estimated 230 per cent of exports last year Hence it continues India's debt rating at BB+1 reflecting India's heavy external debt burden and vulnerable external payments position, the management of which is constrained by large fiscal deficits, high inflation and low levels of dovelopment. Hence India's credit rating has not been raised to the investible grade. The Finance Minister responds to the Bank that the formulation of an exit policy will have to await the government putting in place a credible social safety net and that there was no delay in the implementation of the reform programme beyond the time needed to take the people along with it and gain their willing acceptance. The mini budget involved in the reduction of import and excise duties raise many questions about fiscal policy supporting the programme of structural adjustment. This together with the tax concessions given on April 29 and now on June 19 will make curbing the fiscal deficit difficult and will continue the monetary pressure on prices. This will not help bring more aid pledges nor will it attract more private investment. The problem is that it is difficult to reassure the foreign investor of stability in an essentially unstable economic environment. The RBI's interim committee report on the stock scam has recommended setting up a share holding corporation to allow banks to conduct their transactions in PSU bonds, units and similar securities, obviating the need for issuing bank receipts. It also recommends the practice of banks entering into "ready forward" and "double - ready forward" deal with other banks should be prohibited In mid June RBI acted on this recommendation, which has been criticised as going back on the policy of liberalisation and decontrol. The union government reports that following the recommendations of

NDC it will be transferring 113 ongoing projects to the states. The VII Plan document states that for over 300 union projects units, an estimated total cost of Rs. 94, 500 crores are gripped by time and cost overruns. 201 of them had cost overruns with respect to original estimates, and 168 had overruns of the project cost. The national report on environment in India defines India's traditions, policy, structures and future perspectives in the context of environment and development. The government reports that NSS shows that in 1977 52 per cent of the population comprising 253 million was below the poverty line, in 1983-84 the corresponding figure was 40.4 per cent consisting of 225 million and in 1987-88, the last survey, 33 per cent comprising 197 million were below the poverty line The VIII Plan envisages an outlay of Rs. 30,000 crores to provide safe drinking water to all rural areas. On land reforms a pilot project computerises land records in 21 districts and in the VIII Plan there will be full computerisation of all land records in all states. So far the total area declared surplus is 72 56 lakh acres out of which 62.62 lakh acres have been taken possession, 48.84 lakh acres distributed to 44.42 lakh beneficiaries of whom 50 per cent are SC and ST and 11·42 lakh acres involved in litigation. At least one district in every state will have an integrated poverty alleviation programme for rural development and in the VIII Plan atleast one district from each state will be selected for it requiring district planning on the basis of land and water survey. This new method of poverty alleviation is part of the Rs. 14,000 crore rural development programme during the VIII Plan raised to Rs. 30,000 crores during the NDC. In this connection, the Indira Gandhi Institute of Development Research states that the most crucial policy to combat would be to increase the demand for productive employment and to augment the selection of the problems through education. The present policy of low food prices through input subsidy has now become untenable. It would be better to subsidise investments and support agricultural research rather than subsidise current imports if coarse-food is desired, also stepped up investment in irrigation could be targetted to backward areas or to poor farmers to generate employment. Further, the Economic Survey Advisory Council to the Prime Minister has expressed grave concern over relatively high foodgrain prices, low stocks for public distribution system and a marked slow down in agricultural investment and has called for an integrated programme for the management of the food economy, to counter the stagnation in foodgrain production since 1988-89 and the shift in the acreage from foodgrains to commercial crops. Thus June marked a wide and variegated approach to the economy from the many national and international expert studies and sources.

Industry

Following the deceleration in the past several months, in February 1992 industry showed a turn around and registered a 3.4 per cent growth, increasing industrial growth for April-February 1991-92 to -0.4 per cent from -0.9 per cent during April-January, the growth rate during April-February 1991 being a high 8.5 per cent. This means that for 1991-92 industrial growth may be zero, the recovery being attributed to the government's industrial policy measures. In this connection OECD points out that even as industrial deregulation is growing, it is necessary to monitor industry to ensure that an anti-competitive

market structure does not emerge in the wake of the economic reforms. The Department of Programme Implementation states that the production performance of 9 infrastructure sectors during 1991-92 showed mixed trends. In power, overall power plants generation fell by 18.5 per cent, the State Electricity Board should raise their thermal stations PLF from the very low level of 50.6 per cent in 1991-92 and haulage of coal during the year was inadequate at 11,000 wagon per day against the required 12,000 wagons. Coal production met the 228 million tonnes target, coking coal quality continued to deteriorate in terms of ash and mixture content and 1992-93 has started with a new stock position. Still in terms of hot steel and saleables surpassed their targets, but ingot steel production was below the target, installed capacity of integrated steel plants was not fully used and in 1992-93 Bokaro, Bhilai and VSP research show good results. In telecommunication, demand is far ahead of availability, with the waiting list for telephones being 22.60 lakh on 30.09.91 a proper mix of investment in switching equipment and tele instrument production is needed. In petroleum, the deceleration in crude products from 34.09 mt in 1989-90 to 30.34 mt in 1991-92 is due to fall in production of the Bombay High damaged wells and the high gas to oil ratio which forces ONGC to reduce oil production. Products of natural gas has been less than last year. The non achievement of the targets for petroleum, fertiliser and cement has affected the rest of the economy. It is pointed out that in the heavy investment field of petro chemicals, 3 projects - Mangalore, Reliance-Hazira, UB-Vizag - are being set up, a number of proposals for mini and integrated steel plants have been approved, in transport at Nehva Spera and Calcutta private groups are setting up ports, railways have produced own your wagon scheme - all showing that now there is no sector that the private sector is not involved in, the old fear that the private corporate sector does not have the resources to enter the infrastructure field is not only no longer true, the boot is now on the other foot. Now it is the government which does not have the resources and turns to the private sector to take over certain large industries. But as the experiences of the power sector shows, where despite the guaranteed returns on equity, a liberal debt equity ratio, the facility for repatriation of dividends, — foreign nor domestic companies are interested because they are not sure that their consumers will pay for power. If NTPC and SEBs cannot collect their dues, and if SEBs are all now in a state of utter bankruptcy, the private sector does not wish to step into the mess. Hence what is required is a good investment climate which government should ensure by removing the kind of obstacles which the power and some other sectors face. Thus the function of planning is to both plan public investments in key sectors and create appropriate investment climate to bring in the investments needed. Delicensing and the easing of entry restrain into the industrial sector has made tiny units - with capital of less than Rs. 5 lakhs and empoying 25 persons with electricity and 50 without, afraid of competition from large units. To meet this fear, government has exempted them from factory act provisions (which means only the minimum statutory wage and normal safety measures will be binding on them and proposes to exempt them from implementing employees provident fund and insurance schemes. This will generate more investment and employment in this sector and in a sense regularise what unorganised sector employers are already doing in circumventing the labour laws. But what is

important is that this will free the tiny sector from the clutches of the corrupt inspector. The proposals to provide the concessional finance will encourage capital intensive methods in this sector. What is needed is quick clearance of their applications by banks and not really concessional finance. And the term of special products for the tiny sector should be limited so that these units can grow into medium size and not remain always tiny. It is meant for those operating in the informal sector which is a floating population. The union government states that it is planning to set up a Small Scale Industries Board to advise it on policy matters concerning small industries, this would be the means of keeping under review the issues raised above with regard to the tiny sector. The union government states that it has drawn up an integrated infrastructural development scheme for setting up a modern industrial estate in each state. It has approved 495 foreign equity proposals totalling Rs. 1850 crores. The state government will have to provide for the estate the needed land and water supply. The union is also to launch a programme to create a new category of entrepreneurs and to promote self employment by providing venture capital assistance. This will generate 2.5 lakh additional employment in the areas of small industry. In a move to simplify and rationalise customs laws, the government has introduced the facilities of a green channel for import of cargo, self assessment of import documents and duty liability of importers themselves and of easier imports through international courier service, raising the duty free allowance under the baggage rules from Rs. 2400 to Rs. 3000 per passenger. These changes should help increase import and export trade. On specific items, an independent commission headed by Bradford Morse finds that the Sardar Sarovar project as they stand are seriously flawed and that there are fundamental failures in their implementation. The World Bank which received the report however states that it will continue to support the project. The cotton textile industry faces a crisis due to the slack demand including export orders coupled with a severe liquidity crisis. SIMA goes further and states that the textile industry, particularly the spinning sector in South India which was faced with a production glut is now in for a recession.

Public Sector units

In June there are 2 developments in the area of public sector enterprises to be noted. First, 3 railway production units exceeded their targets-while Wheel and Axle Plant in Bangalore fell short of its target for April-May at 10,517 against the target of 11,858 and 6749 axles against 8260, the Diesal locomotives Works Varanasi produced 22 diesel locomotives against the target of 21, the Integral Coach Factory, Madras produced 179 coaches against the target of 157 and the Rail Coach Factory Karnataka produced 180 coaches against the target of 366 and the Chittergon locomotive works was on target at 19 diesal and electric locos. The other issue is a report by the World Bank calling for a better programme of action by the public enterprises envisaging diversification of ownership and limited privatisation. It states that the performances of enterprises which have to be in public hands should be improved by giving them autonomy to invest, to set prices and wages, to borrow and to hire and fire. Privatisation is time consuming as UK, Brazil, Mexico and Malaysia have shown and so it advocates industrial deregulation beyond

what the Indian government has so far done and opening more area for private investment, facilities for exit of unviable enterprises and other elements of public enterprise reform which form the major part of its recommendation in the document produced for the Aid India Consortium. The Bank seems satisfied with the Government approach on financial sector reforms in line with Narasimhan committee but wants much more done on industrial deregulation. These recommendations of the Bank desire careful and serious study by the government.

National Production Front

SAIL

SAIL's R&D department reports developing import substitute springs for use in steel plants. This replacement of imports involved a saving of Rs. 1.5 crores in foreign exchange a month, when the process knowhow is used for large scale production to meet the country's total demand. There is a call by the government to raise the production of pig iron to meet both the rising domestic demand and the international trade demand which amounts to 10 million tonnes a year. With India's plentiful pig iron resources and the indigenous blending techniques, the prospect of producing 2 million tonnes of pig iron per year should be attained by the end of the VIII Plan. The states of steel production in 1991-92 was earlier referred to. Kudremukh Iron ore company, announces setting up a pig iron plant at a cost of Rs. 4.55 crores in Mangalore.

Crude

Further to the report of the Ministry of Programme Implementation on crude and petroleum production referred to earlier, the crude target for 1992-93 has been cut by 10 per cent from 29 million tonnes in 1991-92 to 25.54 million tonnes in 1992-93. This cut set forth in the MOU between the ministry and ONGC confirms the fear that the country's domestic production is unable to meet the rapidly rising demand. The moral is clear-cut and conserve oil consumption.

Coal

Coal production has been meeting the annual target as reported earlier at 204.14 million tonnes (0.14 million tonnes above the target) and has set the 1992-93 target at 210 million tonnes. But CIL reports that the mine fires in the coal fields of Jharia and Raniganj have destroyed 37 million tonnes of coal, a large part of which was fine coking coal which we can ill afford to lose. Access to 1850 million tonnes of coal valued at Rs. 70,000 crores is blocked by the fires. Through fire control measures, CIL states that it was able to save coal worth Rs. 4388 crores.

Non Ferrous

News in June on the non ferrous front is mixed. On the one hand the ministry of mines reports that the output of aluminium and copper continued to decline for the second year. In the current financial year - the April-May 1992 production of aluminium of 83062 tonnes being below the April-May 1991 production of 84,314 tonnes and well below the target of 86,763 tonnes. While the private sector HINDALCO was able to increase its output for that period from 27,498 tonnes in 1991 April-May to 27,876 tonnes in April-May 1992, it was still below the 2 months target of 28,000

tonnes. It was NALCO, the public sector unit which is doing poorly - with an installed capacity of 2.18 lakh tonnes per annum, producing 31,031 tonnes in April-May which was lower than the previous year's 2 months output of 31948 tonnes. NALCO has signed an MOU with the government to export 4.20 lakh tonnes of aluminium and 65,000 tonnes of lead in 1991-92, which if realised will be good.

Agricultural Production

The June information on the agricultural front is worrying. With the peak of the marketing phase of the wheat crop completed, it looks as if this year's wheat procurement will be below last year's poor 7.7 million tonnes, far from this year's target of 9 million tonnes. In the last rabi season, wheat procurement was poor because of high open market prices and for this year even the 24 per cent hike has not proved enough. This is serious for both the food economy management and its inflation consequences. This poor wheat procurement performance may be repeated in the coming kharif season, because farmers in the major rice producing regions Punjab, Haryana and UP have made it clear that unless the procurement price equals the market price they will not part with their grain stocks. There are inter-related problems of suppliers and expectations which cannot be tackled by simply imposing curbs on food movement or denying credit to farmers. Last year's drought led to a sharp fall in coarse grain production and to a much higher demand for wheat. Bajra went up to Rs. 480 per quintal, Jowar to Rs. 600 and so Wheat went up to Rs. 350 per quintal, way above the government's procurement price of Rs. 280. With a poor monsoon ahead, production is expected to fall further staking up inflationary expectations. This can be toned down only by increased supplies, which means that the government must import 2 or 3 million tonnes of wheat. On June 27, government announced purchase of 1 million tonnes of wheat from Canada at $145 per tonne. This shipment will begin to arrive in mid July. US is now willing to sell, but the price of Rs. 450 per quintal which is way above the market price of India, but can help reduce market prices which the poor majority need. This will also improve procurement during the next kharif and rabi season, since the gap between procurement and market prices will fall. Hence it is urgent that more wheat imports be arranged so that wheat flows into the market by the end of the year. Meanwhile the decline in both the yield and the rate of growth of coarse cereals is disturbing. The area under coarse cereals declined from 100 in 1989-90 to 77.6 in 1990-91, the rate of increase in production turned negative at -0.3 between the triennial ended 1979-80 and 1988-89, prices of coarse cereals which were stagnant or falling, increased by 3.1 per cent in 1990-91 and a massive 69.7 per cent between January 1992. With the inferior foodgrains accounting for a major portion of the diet of the poor, these trends sharpen the cutting edge of the current inflation noted earlier. What is needed is increase in the area, in the quality and irrigation of what is grown of coarse cereals which also depends on the policy regarding the superior cereals. In view of the delayed arrival of the monsoon, the agricultural ministry has sent out expert teams to the states to help study the crop pattern that calls for better crop production, management so as to achieve the target of 183 million tonnes of foodgrains for the next year, involving increasing cropping intensity by adopting appropriate short duration and low water demanding varieties,

particularly in paddy fallow area. One good and positive piece of information is that the assessment based on the satellite imagery pertaining to 1987-88 shows that the extent of green cover in the country has increased by 56,000 hectares since the previous survey in 1985-86. What is significant is that there has been a decline in the open forestry of the country and a marginal fall in the area covered by mangrove forest, so that the net increase is the dense forest cover of 7140 sq kms over the 2 year period.

Foreign Trade and Balance of Payments

In June the foreign trade/BOP picture was disturbing The commerce ministry reports that in April 1992, the first month, recorded a negative export growth of -8 per cent in dollar terms. The exports to the general currency area which were rising in past months showed a decline of -1.65 per cent in April (compared to April 1991), the exports to the rupee payment area declined sharply by 49.39 per cent Exports in April were $1369.71 million and imports $1789.64 million showing a trade deficit of $419.93 million. Thus in April exports declined by 7.97 per cent, while imports increased by 24 5 per cent - reflecting the government lifting import curbs. It is not surprising that the Finance ministry reports that foreign exchange reserves which had registered an uninterrupted increase since August 1991, started to decline from April. At the end of March 1992 the reserves stood at Rs. 14.578 crores, the decline in April and May standing at Rs. 13,922 crores on May 29 - due as stated earlier, to the increase in imports. In this connection the Planning Commission points to the special attention to restricting imports of crude oil and petroleum products. On exports to help its growth, government has taken a number of steps, such as the duty drawback for 161 items and the new scheme launched by RBI for NRI which may also lead them to boost exports and the other decision referred to under the economy section. On specific items, engineering exports are targetted to increase from Rs. 4525 crores this year to Rs. 6250 crores next year, the soft ware industry reports a record Rs. 420 crores, exports during 1991-92 (+64 per cent) despite the recession in major importing countries; the plastic industry has targetted Rs. 402 crores as the export target for 1991-92; leather exports-the third largest foreign exchange earner-is poised for a boom this year from Rs. 2500 crores in 1990-91, a four fold increase in 4 years; spices exports during 1991-92 touched an all time high of 1,30,567 tonnes valued at Rs. 362.04 crores; textile exports also recorded a high Rs 1, 13.63 crores in April 1992 against Rs. 674.62 crores in April 1991. An increase of 74 per cent, handloom fabrics exports in 1991-92 increased by 41 per cent at Rs. 1188.44 crores; and exports of synthetic and rayon textiles recorded a sharp growth of 60 per cent in April 1992 at Rs. 93.67 crores against Rs. 55·35 crores in April 1991, the highest increase being in exports of yarn. The government states that it has identified 8 engineering items where an annual growth of 30 per cent can be achieved with its support.

Loans and Aid

The major event in the field of international loan and aid to India was the pledge of the Aid India Consortium meeting in Paris on June 26 of an enhanced aid package of $7.2 billions, including $3.4 billion on the nature of fast disbursing assistance. The pledge is a 7.5 per cent increase over that of

last year at $6.7 billion and that fast disbursing component is $1 billion more than the $2.3 billion of last year. The World Bank who headed the meeting and the consortium have outlined a 10 point programme of action on which India has to take early action. The 10 points are: a) control of BOP situation, b) the recovery of growth on a non inflationary basis, c) the social aspect of the adjustment process, d) skilful debt management, e) further reduction of tariff, i) unify the exclusive rate, g) restore growth momentum as early as possible which will minimise social cost of adjustment, h) decline in public expenditure, i) reform public enterprises and the financial situation and tax system and j) improve performance of the agricultural sector. Japan which announced $850 million ODA including $250 million in quick disbursement aid during the Indian Prime Minister's visit to Japan in the last week of June had included all this and other aid offers during the month in its consortium pledge. The government is very satisfied with the outcome, to which three caveats need to be attached: first, the burden of repayment need to be borne in mind in computing the net aid: second, the ten conditions attached to this aid is to be imposed by all the members of the consortium: and third we are getting further and further away from the target of zero net aid which was formulated way back at the time of the draft V Plan. On individual project loans and grants, IBRD states that it will provide $350 million to the Chandapur unit of thermal power plant in Maharastra, IDA is making available a credit of $79 million to help reduce fertility and child and natal mortality rates in the slums of Delhi, Calcutta, Bangalore and Hyderabad. India announced at June and that it is negotiating with the World Bank $500 million structural adjustment loan for an Indian Social Security net programme that will include the National Renewal Fund. The World Bank states that it will increase its commitment to the family planning programme to the extent of 10 per cent against the $2.7 billion set forth in India's VIII Plan. The Asian Development Bank has approved $250,000 technical assistance for a road project as part of the National Highway. The US Aid is providing $50 million for crude, degummed, soyabean oil in 1992-93. The Finance ministry estimates net external aid inflows to India increased from Rs. 2603.11 crores in 1990-91 to Rs. 4686 34 crores in 1991-92 - with aid inflow at Rs. 11077.86 crores and outgo of Rs. 3492.78 (repayment of principal) and Rs. 2760.48 (payment of interest). Bombay Dyeing reports that it is raising $75 million by way of Euro-Convertible bonds.

International

Rio

The United Nations Conference on Environment and Development (UNCED) which has been under preparation for 2 years met on June 3 for 16 days at Rio de Janerio. It was attended by 178 nations including over 100 Prime Ministers and heads of state and governments. It adopted unanimously the Rio Declaration which states that human beings are the central concern of sustainable development and set the goal of establishing a new and equ tably global partnership through the creation of new levels of cooperation among states, key sectors of societies and people. The right to development must be fulfilled so as to equitably meet developmental and environmental needs of the population and future generation. The conference adop-

ted Agenda 21, the comprehensive document that will set the planet on a new course of sustainable development and save the fragile earth from environmental degradation. It estimated $600 billion as the incremental additional cost of Agenda 21 proposals to make the overdue development of the South susrainable and $125 billion annually additionally for economic assistance and technology transfer from the north to the south, 42 countries have signed the climate change convention and 40 have signed the bio diversity convention. These were impressive achievements among conflicting interests of the participants - the developed countries whose high consumption is the primary cause of global environmental degradations, the developing countries whose growing consumption is a necessity for industrialisation, and the least developed, for whom poverty alleviation and sustenance is more crucial than environmental concerns per se A sustainable development commission has been proposed to monitor the implementation of the conventions and help raise finances The main achievement of the conference was to bring to the attention of all persons - particularly the young who were not at Stockholm and who have not heard about it - about the major linkage between development and the environment. Second, the important agreements and decisions made at Rio now need to be strengthened and followed up step by step.

World Economy

The 1992 UN World Economic Survey says that strict efforts to reduce fiscal deficits in Germany, Japan and US could lead to lower global economic growth. But the leading industrial nations could stimulate economic growth by reducing their plans to cut their government budget deficits and divert the money to investment. The savings could be directed to strategic investments and aid to developing countries and the nations in Eastern Europe and former USSR which are struggling to convert to market economies. The cut in fiscal deficits by $400 billion this year will allow lower taxes and interest rates and stimulate growth and investment and reduce unemployment with a modest inflation rate. The report says that if deficit reduction plans in Germany, US and Japan were reduced by half, inflation would rise lesser than 0.2 per cent and to about 4.1 per cent, but GDP will be raised - in the US to 3.7 per cent by 1996 from 3.3 per cent in 1993, in Germany by 2.4 per cent from 1.8 per cent and in Japan the GDP growth will be 3.7 per cent from 3.4 per cent. Resuming should be the major priority (the G-7 group). The survey predicts that in the current economic policies unchanged, the average GDP growth will be 1 per cent in 1992 and 3 per cent in 1992. The economy of the major industrial countries will grow by 1.7 per cent in 1992 and 3.2 per cent in 1993. It warns against "unnecesarily restrained" world economic growth because of inadequate world investment. The ILO study is a little more optimistic in stating that world wide inflation will be controlled in 1991 at varying rates - in Africa 10 countries, had high ratio, nine countries low rates, in Europe 8 states out of 21 recorded inflation. Only Brazil showed a 3 figure inflation rate but even so managed to bring down its inflation from 1639 per cent in 1990 to 458 per cent in 1991. Uruguay also had a high rate at 129 per cent in 1990 reduced to 81.5 per cent in 1991. In Africa, Uganda had the highest rate at 34.9 per cent, followed by Zimbabwe 31.1 per cent, Ghana reduced its rate sharply from 35 per cent in 1990 to

10.3 per cent in 1991. In Europe, Turkey had the highest rate at 71.1 per cent in 1991, rising from 60.4 per cent in 1990, followed by Czechoslavia from 1.6 per cent in 1989 to 18.3 per cent in 1990 and 84.1 per cent in 1991. All European countries showed rates from 2.5 per cent (Denmark) 64.9 per cent (Netherlands). Of 95 states studied by ILO, 9 showed an increased rate for 2 years, 17 showed lower rate for the second year, with Poland coming down from 354.7 per cent in 1989 to 290.5 per cent in 1990 and 62.5 per cent in 1991. 8 countries had a diminishing rate, with Bahrain at -2 per cent.

World Unemployment

ILO in its 1992 world labour report shows that unemployment and poverty are worsening both in developed and developing countries, but the percentage of poverty among rural people is declining in most Asian countries including India, Bangladesh, Pakistan and China. It refers to India's special programmes offering credit and subsidies to the rural poor to set up enterprises which has reduced rural poverty. In Pakistan remittances from overseas workers played the same part. But in Africa urban unemployment is expected to triple from 9 million to 28 million, raising the unemployment rate to 31 per cent by 2000. Around 50 per cent of Africa's population now live in poverty and they will increase by 50 per cent between 1985 and 2000. During the 80s under-utilisation, that is unemployment and under employment rose from 40 to 42 per cent and poverty from 25 to 31 per cent. Unemployment in East Europe and former USSR may soon reach 15 to 20 per cent when privatisation hits the unemployed workers in the states sector. Due to continued recession, unemployment in the industrial market economies is moving up to 7 to 8 per cent of the labour force. All of the newly industrialised economies of Asia have very low unemployment rates, much of their earlier success being based on low labour costs and sound policy environment. But as wages increase and competition grows the NIC are adopting higher level of skills. Indonesia, Thailand and Malaysia are on the way to becoming NICs but they will face unemployment problems, according to the ILO. The countries with most serious unemployment, where under employment is 40 to 50 per cent are Bangladesh, Nepal and Myanmar (Burma).

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

With the release of water from the Mettur reservoir on the scheduled date of June 12 and the release of water from the Pechiparai and Perunchani reservoirs in the Kanyakumari district, Kuruvai and the kar paddy cultivation has been taken up by the farmers in full swing. Cultivation of the sornawari paddy crops has also been taken up utilising ground water in the northern districts of Tiruvannamalai-Sambuvarayar, North Arcot, Ambedkar and Chingleput-

MGR. Paddy seeds, fertilisers, micro nutrients, horticulture and plant protection chemicals are being bought and taken up by the farmers at an increasing rate. Utilising water from filter point wells, they have raised community nurseries in the delta to facilitate distribution of paddy seedlings, and as water from the Grand Anicut is being released transplantation is also being taken up on a large scale. The farmers are very satisfied because it is the first time in 8 years that they are not being forced to skip kuruvai or cut it down to small proportions as they are now assured of water till harvest. The kuruvai crop is being extended over 5.9 lakh hectare, including 2.45 lakh hectares in the cauvery delta covering Thanjavur, Quaide-e-Milleth, Tiruchi, South Arcot and Pudukottai. Monopoly procurement of paddy is being continued in the cauvery delta, where 12.14 lakh tonnes of paddy has been produced. Small and marginal farmers in panchayat unions are obtaining the government's fertilisers subsidy of 30 per cent given through the TN Agro Industries Corporations for their wetland as well as dryland cultivation of crops. Farmers who had wetlands obtain a subsidy of Rs. 210 when purchasing Rs. 700 worth of fertilisers and dryland farmers receive Rs. 140 when purchasing Rs. 465 fertilisers from the depots and sub-depots. The TN Agro Industries Corporation states that it expects to sell 32,000 tonnes of fertilisers as well as Rs. 391 lakh of spares and implements, 165 tractors and 438 power tillers to the farmers. At Pochampalli it is proposed to process 10,000 tonnes of sunflower oil to sell 4500 tonnes of sunola and 2400 tonnes of sunflower deoiled cake. The state government states that it plans to extend the integrated programme of rice development (a union sponsored scheme) now being implemented in all 14 districts except the Nilgiris and Madras and for this the Union government has been requested.

Research results

Of the 28 research reports recorded in June, a group of 4 are of special interest to farmers in the state. First, there are 5 reports of interest to sugarcane farmers: from SRS Cuddalore and RRS, Vridachalam the selection criteria for cane seeds for maintaining optimum population in sugarcane cultivation is set forth: from the agricultural research station, Sarkeshwar, the means of combating ratoon chlorosis which causes heavy loss in both cane yield and juice quality mainly by treating iron deficiency with ferrous sulphate compounds: the sugarcane research station in Cuddalore shows how sugarcane can be grown in saline soils by both reclaiming the soils using good irrigation water and using varieties which are tolerant to salinity and desalinily like CO6304, COC771 and COC85061: the Cuddalore station advises that propping the cane in the 7th month by tying adjoining rows of cane into pairs with trash twist facilitates easy irrigation and field inspection and prevents lodging and the Cuddalore research station provides the sugar cane farmer with cost effective irrigation techniques, which is important as sugarcane is a waterguzzling crop, involving alternate furrow irrigation with or without trash mulching saves 34 per cent of water and is commended to the growing farmer. A second group of reports refers to nitrogen budgeting and use and other agronomic practices: the Kattupakkam research station shows how to counter nitrogen depletion in soils on which fodder crops and cereals are raised through growing fodder legumes, intercropped legumes harvested before cereals and the sloughing off of nodu-

les TNAU station at Paiyur demonstrates that an effective cost saver for paddy farmer is using bio-fertiliser for a rice-pulse relay cropping system where the application of Azolla and organic manure record a high growth yield of 4858kg paddy per hectare : TNAU experiments show that well tilled fields, use of farm yard manure at 20 to 25 tonnes per hectare, keeping the field free of weeds and thinning the crop are important agronomic practices resulting in higher yield of sesamum; the Vemban station shows that the inclusion of soil builders such as pulse in the cropping system can provide nitrogen to the soil in addition to atmospheric nitrogen fixation in their root nodules: the Karaikal college of agriculture shows that the use of good seeds is the foundation for high yields in groundnut cultivation and how the problem of seed dormancy in groundnut can be tackled, that warmer conditions break the dormancy in TMV-1, TMV-10 and AUR-1. The AP Agriculture University also shows how induction of dormancy in groundnut can be effected through treatment with chemicals such as the spraying of Malic hydrazide. A third group of reports refer to the means of countering various pests: the Kunkur Agricultural College demonstrates that the root and stem rot in gingelly can be countered through application of organic amendments like neem cake, maintaining optimum soil moisture through frequent irrigation and seed treatment with fungicide; TNAU shows how ultra violet light trap can be placed in foodgrain godowns as means of attracting and destroying insects: CPCRI, Kasargod reports on an improved package of practices for the arecanut farms, starting with selecting proven mother palms and following some nursery techniques to help develop healthy and vigorous seedlings: TNAU has been experimenting with the means of controlling the drug store beetle in coriander storage involving fumigating the storage bags and use the coal tar drum bin of 100kg capacity which it has developed for this purpose. Fourth, there are few reports for use by poultry-cattle farmers the lam farm, Guntur has identified the cause of vitamin A deficiency in chicks and advises poultry farmers that chickens which show this deficiency should be fed vitamin supplement and premixes 3 to 5-times with the recommended level in feed or in water, the Embryo Research Centre, Nilgiris advises use of silage that helps pressure green fodder in the flush season that can be fed to cattle in the lean season. The basic requirement for the crop to be ensured is sufficient carbohydrates which enables fermentation : CIRG in Mathura prescribes a sound health programme for goat farming so that kids are not lost at an early age: and the Madras Veterinary college advises on how large litter size in piggery units can be developed through the selection of sows and gilts from large litters, and mating the sows to unrelated healthy boars, whose off-spring also mothered large litters. This counters the high cost per pig when the litter is small.

Plantation crops

Tea output in 1992 is likely to suffer a decline of 12 million kg against the 1991 output of 742 million kg. Between January and April production declined by 19 million kg due to drought conditions. In the first 4 month of 1992 all the tea producing regions witnessed a decline in their output and the overall production stood at 98.54 million kg against 117.99 million kgs in the same period in 1991. With only the Assam crop showing an increase in output of 6.2 million kg, the crop was lower in all

other producing areas. *Production* in *Darjeeling, Doogras and Terai was lower by 7 million kg.* South India estates were responsible for the major part of the decline due to the severe drought in Kerala and Karnataka. Internal consumption was 525 million kg in 1991 it is expected to be 540 million kg in 1992. The same trends can be found in world tea output with 1991 recording a high output - at 48 million kg more than in 1990 but a lower crop in 1992 in all tea producing countries. One of the questions that is now widely debated in the tea industry is whether the official policy of decontrol applies to it. The only move towards deregulation was the setting up of 2 committees on coordination and on tea prices which did not meet and had no effect on the industry. The controls are through statutes, the Tea Act, the Coffee Act, the Rubber Act which control the industry and not develop it, if the aim is to increase production to the point where it can meet both domestic and export demand, the question arises as to whether all controls should be abolished and incentives provided to augment production. These considerations apply to all sectors of the plantation industry. ***Coffee*** production is totally controlled from the marketing point of view. The coffee Act requires that once the crop is harvested, it has to be surrendered to the coffee board which is responsible for marketing and the grower is not only far away from being able to see what he has produced and has to accept whatever price is given to him by the Board. Hence this question to grant freedom to producers to market their coffee has been under study and discussion (see Vol XXI p19) and the move is not total decontrol of the 50 year old procedure but a gradual transformation, from "compulsory pooling" to "optional pooling". Further the 1 lakh tonnes exports have no longer the Soviet market and so there has to be a revised approach to find overseas markets and then the individual producers should be given the option to seek out such outlets, if he desires it. This is especially so if the ambitious annual target of 120,000 tonnes of exports are to be achieved. *Rubber* production in 1992-93 is expected to be 4.07 lakh tonnes from 3.67 lakh tonnes in the previous year. The target for 2000 is 6.75 lakh tonnes, which if attained will make the country self sufficient in natural rubber. The rubber price has shot up to Rs. 27.20 a tonne at Kottayam against the bench mark price of Rs. 21.450 fixed by government. STC has not acted when price declined during the busy season but in the busy season, March-May; i) has been instructed to raise the release price to Rs. 26,500 per tonne from July 1992 and 27,000 from August, which has already been surpassed as noted alone. This not only hits the rubber user industry, it also has no relation to the international rubber price which is Rs. 19,000 and so export of natural rubber is cut. What is being exported is not domestically grown natural rubber, but imported rubber synthetics as noted in the last issue. It is not enough to go on raising the price of rubber to placate the rubber growers, there should also be focus on improving productivity and reducing costs. This is all the more necessary, as the upcoming synthetic rubber plants, will be more productive than natural rubber variety - it is said that 1 tonne of synthetic will replace 2 tonnes of the natural variety. This will also help to keep the price of natural rubber down and help the 5000 rubber consumers who employ 3 lakh workers and who can earn Rs. 700 crores per annum in foreign exchange.

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III. Industrial Development in Tamil Nadu

June recorded the usual plus and minuses in the industrial development of the state. June also makes one year since the present government came to power with rather impressive statements about raising the industrial profile of the state to first rank. In accordance with these pledges the government settled the textile workers' strike (See Vol XXII p23), assisted the reopening of Standard Motors (See Vol XXI p554) and B & C Mills which had been closed for one year (See Vol XXII p.02) and got the union government clear nce for the large Aromatic project as reported in the last issue of the Bulletin. According to a government review, 1990-91 saw an increase of 9.29 per cent in investment compared to 1989-90 that is to Rs. 2046.25 crores from Rs. 1874.11 crore - an increase of Rs. 174.12 crores. Of the 10 major areas of investment, the study reports that development finan.e stood first at Rs. 106.47 crores out of Rs. 174.12 crores followed by passenger transport (Rs.30.05 crores) and manufacturing (Rs. 22.57 crores). Agriculture and allied activities recorded in 1990 91 a negative growth, the investment declining from Rs 30.77 crore in 1989-90 to Rs. 29.31 crores in 1990-91 which the review attributes to the repayment of loans obtained from banks and financial institutions. But the basic problem hampering industrialisation in the state - (as compared to that of Maharashtra and Gujarat) - is the continuing bureaucratic and governmental controls over the sector which makes many private sector institutions and entrepreneurs hesitant to invest in Tamil Nadu and in some cases actually turn to AP or Karnataka where these obstacles do not exist. In other words, it seems as if the steam is going out of the industrial momentum which the governmen. initially accorded to the state.

In the month of June, the positive industrial developments in the state include : First, *Ashok Leyland*, despite being in the grip of recession leading it to cut production of both vehicle and engines by one third, involving a lay off of its work force and on the basis of the informal understanding with its trade unions the weekly working days reduced to fare and wages paid for 5 days in the week, reports two important steps forward: its turnover for 1990-91 crossed Rs. 1000 crores which was an increase of 11.7 per cent over that of the previous year, and it is planning an expansion, pumping a massive outlay of Rs. 500 crores in Hosur to produce diesel engines, Rs. 100 crores to modernise its Ennore facilities, Rs.30 crores to expand thecapacity of Ennore Foundries for castings, and Rs. 80 crore to modernise its production facilities in Maharashtra and Rajasthan. It is also floating a new venture, Ashok Leyland Exports Ltd, to boost the export of vehicles and engines and another firm Ashok Leyland Information and Technology Ltd to take on project oriented software export in the technology park in Bangalore in a tie up with US and Europe firms. *Second*, the *Small Industries Service Institute* is organising 2 training programmes on marketing management and market research for identifying opportunities for starting and operating small scale industries. The programme for graduate and diploma holders will train them in entrepreneurship The programmes are starting on July 6 and July 20. *Third*, *TIDCO* announces that it plans to set up a project for the manufacture of intravicular

lens, with an investment of Rs. 30 crores, another project for the manufacture of medium density boards with an investment of Rs. 65 crores. These projects will have tie up with foreign firms who have the technology. It states that it is exploring a project for the manufacture of audio and video cassettes. It has entered into agreement with a Madras city enterprise for the manufacture of aluminium rolled products with an investment of Rs. 150 crores. With IIC, a fruit processing plant is also being set up for Rs. 30 crores. All these projects are in the Associate sector where TIDCO's equity stakes will be restricted to 11 per cent. *Fourth, fifteen private sector* firms have applied for wind farms. These firms range from Rajapalayam Mills which wants to set up a 2 × 250 kw windmill; Vijayalakshmi Mills, Coimbatore which has applied for 1 × 250 KW to Gulf Refineries, Tuticorin which plan a 1 × 250 KWH and Sayeed Beedi company, Tirunelveli which also wants a 1 × 250 KWH plant. The larger plants proposed are by the Tamil Nadu Petro product for 20 MW, followed by Dalmia Cements and Madras Cements at 4MW each. All the 15 projects will together generate 50 MW and calls for Rs. 140 crore investment. *Fifth, Tiruppur* which produces a 90 per cent of India's Cotton knitted garments valued at over Rs. 1200 crores; through its exporters association, in cooperation with the state, plans to provide water for the entire area, improve the existing infrastructure and control pollution for which Rs. 150 crore is to be contributed. The overall project will cost Rs. 346 crores covering the Tiruppur planning area. *Sixth, SPIC* in cooperation with 'Pioneer' an American seed company, is planning to produce hybrid seed varieties as a means of increasing the food products of the country. It is already producing hybrid tomato, sunflower and cotton seeds and its tissue culture lab in Coimbatore will be producing tissue culture plants from October and market them from December 1992. *Seventh, a mini refinery plant* of the Madras Refineries at Nagapattinam was inaugurated in June, processing crude from the cauvery basin. This will save the cauvery crude being transported to Madras for refining. *Eighth, the Indian Seamless Steels and Alloys* promoted by ISMT is now going public as from July 15 for Rs. 40.98 crores from an issue of 20.40 shares. This issue will partly finance its Rs. 155 crores project which is (unfortunately) being established in Pune for manufacture of 1.50 lakh tpa of high quality carbon, alloy and special steel rounds. *Ninth, Kothari Industrial Corporation* has floated a joint venture with R.J. Brown company, Singapore to take up contracts in the field of engineering, soil drilling and offsite support facilities both inside and outside the country. *Tenth, four private corporate sector* companies report a very good performance in production, sales and dividends during 1991-92. The joint sector Tamil Nadu Petro Products with sales turnover increase of Rs. 50 crores to Rs. 279.75 crores in 1991-92, records a gross profit of Rs. 67.25 crores and has declared for the year a dividend of 15 per cent. Kothari Sugars and Chemicals reports that its turnover increases was Rs. 50 crores, its profit Rs. 958.26 crores and its dividend for the year 1991-92 20 per cent. Sundaram Fasteners reports that its turnover in 1991-92 increased by 27 per cent to Rs. 137 crores, profit to Rs. 27.74 crores and its accumulated losses of Rs. 2.31 crores is to be adjusted against its profit. Madura Coats reports that its gross sales crossed Rs. 500 crores, its profits Rs. 88.44 crores and the dividend 33 per cent for 1991-92. *Eleventh,* the revival of *Seshasayee Paper and Boards,* which pioneered with Bagassee as raw material and various other raw materials for paper production, resulted

in 1983 is a small profit of Rs. 73.55 lakhs followed by years of low profits and production during which time it pioneered the use of bagassee for paper marketing, newsprint and has been a consultant for the setting up of TN Newsprint and Paper, has set up the Southern Paper Mills in Tanzania and plans a modernisation to raise its capacity to 10,000 tonnes.

On the negative side in June: *first, Sugar Mills* in the state face the serious problem if accumulation of molasses, which in the absence of 70,000 tonnes of its exports out of a total of 6.08 lakh tonnes, leading to their decomposition and rotting. They are adding to pollution as the storage tanks are overflowing and the excess molasses is being let into Kutcha pits and drains. This will also lead to the loss of foreign exchange to the tune of $3.15 millions. *Second, the state government's new policy on granite* as reported in the last issue of the Bulletin has evoked sharp criticisms from industry on two counts-the stopping of fresh leases for quarrying and the fixing of the minimum export price for this minor mineral and on which the state government has no experience. Why not let the market price for granite operate? The industry states that the imposition of a minimum price and the subsequent collection of the cess on exports is to make up for the loss the government suffers from the import duty on granite by the union government's policy will also make it difficult for export oriented units to procure the granite they need. *Third, the Tamil Nadu Electricity Board* has been deprived of a contract for the Mining and Allied Machinery on which TNEB went through the required procedures and submitted the lowest bid. The funding agency ADB, insisted on the project being given to the US agency, Elecon, despite its bid being higher on some flimsy technical grounds. The trade union regard this as a blatant case of arm twisting by the foreign funding agency.

In June, the state's record in industrialisation is positive, despite the few negative features. The longer term assessment; however is not so clear and is worrying.

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IV. Education, Science and Health

Educational reforms

In June, the Ministry of Human Resource Development set up 23 task-force to revise the Programme of Action approved in May 1986 in light of the revised National Policy on Education approved by Parliament at its last session and reported in the last issue. The reports of the task forces are to be made to the ministry by July 8 so that the revised Programme of Action can be presented to Parliament at its monsoon session starting on July 8, 1992. In the state, the major issue in the school field was the finding of the state government that the CBSE valuation was this year too generous. In CBSE the percentage of students who scored 190 and above out of 200 in Mathematics,

physics, chemistry and biology was 27, 48, 48 and 54 whereas in the states higher secondary course the figures were 28, 12, 11 and 7. Hence taking into account the number of students who wrote the examination in the 2 streams; the state government issued orders that 2 per cent of seats in professional and arts and science colleges should be set apart for CBSE and ISC students and 98 per cent for the Higher Secondary Schools students in the state. The government order has been challenged by the parents of the CBSE students and the High Court has granted a stay order. The government has gone on appeal to vacate the stay order. Students of the state higher secondary schools are demonstrating in the state to support the GO and against the high court stay order. Another problem is that following the Allahabad high court judgement on minority institutions, the state government issued an order that minority institutions should admit only 50 per cent of students belonging to their community, the other 50 per cent is to be filled on the basis of merit. The minority community institution have protested against this order and in any case are not following it for this year as the order came after they had completed their admissions. There is also a problem with the Madras Christian College which has not included the names of the 3 teachers who were temporarily put back on the staff because the agreement states that this temporary measure will expire when the enquiry committee makes it report, which was done last month. The medical and engineering colleges are increasing their fees by double or treble the amount. This is part of the demand that the government subsidy should be reduced both on equity and economy grounds. Fees form a small part of the total cost of higher education - of a university or a college - and by itself cannot reduce the subsidy. But it is not only a contribution, it is also an important reminder to students and parents that they should make a contribution to their wards higher education. The government has reduced the UGC grant by Rs 5 crores which is also forcing attention, on the issue of the subsidy to higher education. UGC has tried to reduce its grant to the central universities which has been resisted and had to be withdrawn. But the need to reduce the state's subsidy is there and all means to achieve it by raising fees, improving teachers student ratio and generally improving the efficiency of higher education institution should be explored and given effect to.

Adult education

The success of the techniques of Total Literacy Programme (adopted from the Kerala model) under which whole districts are being made literate, starting with mobilisation compaigns - Jathas and then going on to Arivoli Iyakkam - literacy learning by 3 stages for which 3 texts have been programmed and adapted in all states, are being widely reported and assessed by news papers. In Tamil Nadu, Pudukottai is the first district to attain the 100 per cent literacy status and will be so declared in a few days. The National Institute of Adult Education (NIAE) has now come out with a weekly broad sheet for neo literate which is being used in the fully literate districts of Burdwar and Midnapore in West Bengal and Nellore and Tirupathi in AP and its use is being researched in 5 districts - Panipet (Haryana), Durg (MP), Burdwan (West Bengal), Chittoor (AP) and Kamarajar (Tamil Nadu), along with its role is a neo literates' newspaper and in quenching the neo literates thirst for news and information. Work is on now to establish the broadsheets inde-

pendently of agreement of the National Literacy Mission and the post literacy programme has been phased out. News papers and the ministry of Information and Broadcasting are being asked to take on this challenging task.

Health

The state government reports that 48 lakh people have been given health check up in the 5 months since the medicare scheme was launched by it. Among those examined at the 8468 camps, 6.7 lakhs were found to suffer from diseases of respiratory and cardio vascular system, 4.4 lakh persons had various skin diseases, and problems in gastro intestinal tract in 4.7 lakhs. These results will help set the right priority in the states health care delivery system and the changes needed in drug distribution to primary health centre and taluk hospitals. Nutritional disorders were seen in 3 2 lakh cases, with 2.6 lakhs being aneamic, 3.4 lakh had eye diseases including cataract. Among those examined, alcoholic addicts, were 1114, among adults 1740. Most of the 2.27 lakh persons with traumatic orthopaedic deformities were unaware that their problems could be surgically corrected. Goitre, due to iodine deficiency was seen in 4580 persons who will be treated in the goitre control programme soon to be launched. The health camps are to be supplemented by health extension days in the blocks every week. Thus the emphasis is now on health and the prevention and educational aspects of medicine.

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V. Employment and Labour Relations

The Rural Development Programme in the VIII Plan has been restructured to emphasise employment generation creation of durable assets and strengthen rates of income generating capacity of the people. The Small Farmers Agri Business Consortium (see Vol XXII pp191 & 192) is developing plans and strategies under a programme designed to achieve full employment through diversification and commercialisation of agriculture and allied activities. The programme will contribute to the generation of full employment, particularly in meeting the development needs of women who constitute the majority of the agriculturist workforce. The project is to be aided by UNDP. The full employment potential of the road transport system needs to be fully investigated and understood. Every bus employs 3 persons - driver, cleaner, and conductor = every truck employs 5 persons and to these directly employed should be added those indirectly employed in hotels, spare parts stores, petrol pumps and mechanics. Given this large employment potential of road transport, the deregulation policy and the large mass of unemployed can be controlled through training for self employment and so there is need for training programmes and institutes for drivers on rudiments of engineering, safety, skills upgradation, elements of engineering, maintenance and good house keep and classes on human relations, security and first aid.

There is need in the VIII Plan for allocation to be given to transport on these grounds to meet the growing problems of underemployment. Assocham calls attention to the urgent need for substantial changes in the country's labour laws, particularly Industrial Disputes Act and Trade Unions Act in line with the new economic policies. There is need for a clear sound policy to tackle the problem of displaced workers, caused by industrial restructuring in the context of economic reforms. It also wants the freedom of entry now permitted to be matched by freedom of exit. It recommends a moratorium on strikes, lokeouts and go slow for 5 years. The last two recommendations will need to be discussed widely with trade unions and labour groups, meanwhile the first suggested for a policy on displaced workers can be acted upon without delay - in consultation with trade unions.

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VI. Other Items

Interdisciplinary workshop

The annual interdisciplinary workshop organised by MIDS with the assistance of ICSSR. was held in the first week of June in the Mysore univarsity. The subect was Education and Human Resource Development. It was attended by 42 economics, sociologists, and educators from all the universities in the South. The statement on the theme of the workshop appears in this issue.

IIC

The monthly panel discussion of the Economic Affairs group in the India International Centre was held at the end of June on the United Nations Conference on Environment and Development at Rio de Janerio in the first 10 days of the month. Four of the participants at Rio presented the main issues faced by Rio. It was the most widely attended inter-governmental general conference whose results have been earlier reported in the issue. Along side of the conference was a huge NGO forum which brought together over a 1000 NGOs from all over the world who not only discussed more freely, more fully the issues facing the environment but also made desions to follow up the forum with particular action programmes.

TNSC and ST

The Executive Committee of the Tamil Nadu State Council of Science & Technology met at the end of June. Its most important busines was to approve an amendmant to the objectives of the council under which the popularisation of science becomes one of the objectives of the council. Actually the council has been conducting evers year a large and growing programme of popularisation of science but it was the last annual meeting of the council which pointed to the lacuna in the objectives. There will be a special meeting of the council to consider and approve the amendment in July end or at the start of August. The committee also endorsed the allo-

cations made to the ongoing projects on the basis of the reports of the project leader and in some cases by the assessment committees. It also approved a programme of assistance to young scientists to attend International Scientific conferences and also number of seminars and symposium.

MANAR

There was a meeting of the Madras committee of the Mass Action for National Regeneration at the end of June. Its first item was to condole the death of an active number of the programme, Dr. Richard Masilamani, the Vice Chancellor of the Veterinary and Animal Science University Madras. The chairman Dr Anandakrishnan, Dr. Jayagopal, Dr. (Mrs) Rajammal Devadoss and the editor of the Bulletin spoke about the invaluable human qualities of Dr. Masilamani and his contribution to adult education and literacy. using the Veterinary and animal science speciality. The meeting stood in silence to mourn his death and that of his wife. The disruption of the literacy programme this summer in all universities and colleges because of the UGC's change of policy on financing the programme was noted, with the exception of the Avinashilingam university. It was decided that Avinashilingam Anna Gandhigram should maintain and conduct their literacy programmes. As for the other universities and colleges, the new UGC guidelines on the literacy programme was discussed and was approved with some changes for application by the universities/colleges in Tamil Nadu On this basis, the 5 programmes already sent to UGC by the chairman recommended for approval and the others were invited to formulate their programmes to be sent to UGC by the chairman for funding.

July Development Seminar

Tamil Nadu - An Economic Appraisal 1990, was the subject of the paper for the July seminar which together with a summary of the discussion on the paper at the seminar appears as the first article.

Second Article

A note on some comments on conditionalities appears as the second article.

Statement of the Workshop

The statement issued by the Mysore Workshop appears as the third article.

Book Review

A review of Gilbert Etiennie's : Asian Crucible by Padmini Swaminathan appears in the book review section.

M I D S News

Dr. C. T. Kurien, Emeritus Professor of our Institute has been offered the National Fellowship for two years by the ICSSR.

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Dr. Padmini Swaminathan attended two workshops :

(a) Bangalore (July 8th to 10th) on "Gender Training for Men and Women in NGOs : Issues and Strategies" organised by INITIATIVES : Women and Development, Madras.

(b) Madurai : organised by Women's Forum and conducted a seminar on 'Women and Work' (July17-19, 1992).

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Dr. Nasir Tyabji, attended the *Consultation on the non-Farm Sector* held in Madras on July 29; 1992, and chaired the group discussion on Policy Issues. Drs. K. Nagaraj and D. Jayaraj participated in the group discussion.

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Dr. M. Thangaraj

(1) attended "Problem solving Workshop" at ICRISAT, Hyderabad between 23rd July and 4th August, 1992.

(2) spoke on New Economic Policy : The Problems and Prospects ahead" on 11th July, 1992 at Dyana Ashram, Madras. This seminar was organised by Society for Rural Education and Development, Arakkonam.

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Dr Paul P Appasamy gave a lecture on "Environment and Development" at Dept. of Economics, Annamalai University on August 8, 1992.

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A group of 23 Summer Programme Canadian University students visited our Institute under the sponsorship of Indo Canadian Sastry Institute on 3rd August, 1992. Dr. C. T. Kurien gave an overview and then the visitors interacted with our faculty and scholars.

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Dr. Paul Seabright, Faculty of Economics and Politics, University of Cambridge presented a seminar on "Reasons for the Success and Failure of Co-operative Societies" on 12th August, 1992 at the Institute.

Tamil Nadu-An Economic Appraisal 1990

by

Dr. Malcolm S. Adiseshiah

Chairman & Hony. Fellow

Madras Institute of Development Studies

Prolegomena

The document, Tamil Nadu-an Economic Appraisal-1990, was sent to the Institute on May 14, as it had then been just brought out, as the Director of the Evaluation and Applied Research Department in his forwarding letter states.

The major problems presented by the document is the limited sources available as a means of checking the data presented. In the case of the parallel all India publication, the Economic Survey, there are other sources like the Annual Report of the Reserve Bank of India, and the reports on Currency and Finance of RBI, Annual Reports of the IDBI, ICICI, the NSS Surveys, the Annual Reports of the Union Ministries, which are available to supplement, check and fill in the report of the Annual Economic Survey. In the case of the Tamil Nadu Economic Appraisal there are no such supplementary materials available from the state's financial Institutions, or Departments of government, including the Directorate of Statistics. There are many tables in Part II of the Appraisal Document which refer to the Director of Statistics as the source. Similarly the State Sectors reports of NSS Surveys, and the Annual Survey of Industries are referred to as source material. These could be published atleast in ronoed form and made available to researchers and the government departments. In this connection, some official data is available in the Departmental demands, reports and notes presented to the legislature in the budget session which though ad hoc and discontinuous, bring the data a little nearer the time when the appraisal document is being discussed. This source has been used in this note. There is also reference to the data presented by the Centre for Monitoring

the Indian Economy (CMIE) as the source material for some of the tables. This should not be placed on all fours with the data provided by NSS, ASI, TNEB, Agricultural Census, Departments or Director of Statistics, as the CMIE data, as itself, points out, CMIE's collation of materials from many different sources such as newspapers, journals, press releases as well as official publications. It should therefore be shown separately.

There is also the continuing problem of the Appraisal document being dated. Its main data-tables and analysis of them are nearly 2 years prior to the publication of the document. Most tables stop at 1989-90 and the authorisation and full annual data analysed in the document refers to 1989-90. This 2 year time delay could be reduced by atleast six months, if the Appraisal document is circulated in a ronoed form on the date on which it is reported as ready, with foreword signed by the Director, namely, 27 September 1991. The problem here is the audience for which this document is intended. If it is meant for the legislators at the time when they review, discuss and approve the following year's budget, if it is meant for the Departments and the State Planning Commission to programme their plans and programmes for the following year on the basis of the record of the past year, if it is meant for the union Planning Commission, which despite all its claims and statements about decentralised planning still continues to review the state's annual Plan, sector, by sector, then this over 2 years delay is an obstacle for the above purposes. Even a ronoed document would be of help.

It seems as if this question which was discussed in 1990 in the State Planning Commission, which recommended that atleast a summary should be made available of the major issues emanating from the past year to be taken into consideration in planning the programme and budget for the following year, seems to have had some influence on this Appraisal document. Chapter I, State of the Economy, of the Appraisal document sets forth all issues of the past year succinctly and systematically. This chapter could be brought out and circulated to the legislators, departments of government and the State Planning Commission, as a means of helping in discharging their tasks with some knowledge and foresight. Infact the chapter I of the document this year has a fascinating section on the Seventh Plan and the emerging issues which will not have to be repeated for the next 4 years, that is till the VIII Plan is completed, and to that extent will make the task of drafting the future chapters I less burdensome.

Again following the discussion of past Appraisal documents in the Institute (which the Director of Government's Evaluation and Applied Research Departments has attended regularly and participated in the discussion and in the state planning commission), two innovations have been introduced in Chapter I. First and most welcome in para. 1.3, - Areas of attention, on the basis of past 4 years some issues have been highlighted as demanding special and concentrated attention. They are action to reduce educational drop outs and wastage, means of lowering the birth rate and IMR, providing drinking water to the remaining villages, dealing with some 12 issues arising from and related to agriculture and allied activities (starting with arresting the diversion of farm lands to non farm use, on improving nutritious intake of families by increased production of milk, egg and fish, giving priority to fodder development, poverty, preventing

denundation of forests, modernising irrigation systems and using drip irrigation, and increased emphasis to dry land farming, accelerating industrial growth, involving the private sector in the power sector, recasting PDS and using manpower planning to tackle unemployment. This is a challenging list which can be added to, modified, (for instance the insistence on self sufficiency in food production could be replaced by the need to produce more food and foodgrains. Above all, in place of the past long and arid discussion on the growth rates, the above list calls attention to the major issues which concern the people. This break through which this Appraisal document reports should be welcomed.

The Economy in 1990-91

There is an attempt to reduce the delay in the study of the economy, by starting the chapter with a broad outline of the economy in 1990-91. Even on this, as the data used for this purpose is the official data which is not available definitively for the year, and not at all for the economy as a whole (which might be a positive feature as it obliges attention to be paid to real areas which affected the life of the people in the year 1990-91.

Content of the Appraisal document

The appraisal document covers in varying degrees three periods. A summary survey of the VII plan 1985-1989, a detailed analysis of the development in 1989-90, and a brief forecast kind of reference on the basis of the above years data of the economy in 1990-91. Hence in this note these 3 separate strands are placed together in a synthetic note and analysis.

Structural Changes

At the national level, the government is engaged in various aspects of structural reform as part of the conditions for the IMF/World Bank loans and as a consequence of the changes in the economy that are being brought about. There is one form of structural change that is taking place both at the union and state levels and in relative contribution of the three sectors-primary, secondary and tertiary to the national income or state income. At the state level, table 2.2 in Part II shows the continuing decline in the growth rate of the contribution of agriculture and allied activities and the primary sector to the state income from 26.31 per cent in the VI Plan to 23.88 per cent in the Seventh Plan. There is a lower decline in the growth/rate of the contribution of industry and the secondary from 32.52 per cent to 30.84 per cent between the two plans. The service/tertiary sectors shows a sizeable increase from 40.67 per cent in the VI Plan to 45.28 per cent in the VII Plan. Within the service sector, the biggest jump has been in public administration which has increased over five times, 3.06 per cent in 1984-85, the terminal year of the VI Plan to 16.04 per cent in 1989-90, the final year of the VII Plan. This structural change, does not make for improved well being of the people, as it involves decreased production of food and other commodities and wasteful increase in non commodity producing administrative services.

Quality of life Indicators

Another important issue which the VII Plan data calls attention is to the improvement or slide back in what has to be called the quality of life as mea-

sured by IMR which has declined from 81 per 1000 in 1980 to 68 per 1000 in 1989. During this period also the birth rate has dropped from 24.7 to 23.1 per 1000 persons and the death rate from 9.5 to 8.6, which means that some time after the turn of the century, the state may stabilise its population growth rate. Another element deciding the quality of life is the primary education retention rate and the decline in the adult literacy rates. On the primary school retention, there are conflicting reports. The government reports that in the VII Plan the drop out rate has declined from 22.5 per cent to 21.1 per cent. Research studies and surveys, however, show that the rate is still high at over 35 per cent in rural areas. On the adult literacy front, progress is made: the 1991 census shows that adult illiteracy has declined in the period between 1981 to 1991 from 64 per cent to 54 per cent and with help of voluntary organisation, several districts are aiming at 100 per cent literacy. It is important, however, that these quality of life achievements should not be exaggerated as implied in the claims in the document when it states in para 1.20 that "the government is firmly committed to reaching the goal of Health for all by the turn of the century." This goal will take much longer to be reached.

Another quality of life indicator that is referred to is the improvement in rural water supply position in the state. It reports that in the problem villages the matter of drinking water has fallen from 5732 at the end of the VI Plan to 3676 villages at the end of the VII Plan. But here the reports admit quite frankly that the accuracy of the figure of reducing the problem villages by 40 per cent is limited by: a) the need to cover fully the villages which have only been partly covered in the programme; and b) improving the drinking water supply systems by making it available on a protected/assured basis.

The proposal for the state to build on a systematic basis a Physical Quality of Life Index (PQLI) separately for the rural and urban areas is sound and will throw more light on the appraisal of the state's economy. Only that will have to be over a Plan period and not on an annual basis as the Appraisal document is, because the PQLI requires a minimum 5 years period to register positive or negative changes.

Agriculture

Agriculture performed well at an average of over 3 per cent per annum in the VII Plan, in contrast to the long term trend which depressed the development of the state as noted in the Institute study of the Tamil Nadu Economy[1] and referred to in the review of the State's Economic Appraisal in 1989.[2] And what was significant was against the impressive increase in agricultural production in the fifties which was largely due to extensive cultivation, the VII Plan which marked a decline in cropped area was also marked by an increase in yield rate. However the Appraisal also brings out some unresolved problems faced by agriculture. A first problem is that the agricultural production continued to depend on the quantum and distribution of rainfall, so that the phrase coined in the budget presentation of the thirties that agriculture is a gamble on the monsoons still continues to be true. The major part of the cultivated area is to the extent of 60 per cent of the gross cropped area under dry land farming and so the volume and distribution of rainfall determines production and productivity. Second, while sugarcane, cotton and the

plantation crops did well during the Seventh Plan, the nutritionally important pulses and oil seeds did poorly, pointing to the need for some reordering of the cropping pattern. Third, the Seventh Plan objective of reducing fallows by 10 lakh hectares was not attained and this together with the increasing rate of diversion of cultivable lands to non agricultural use in the VII Plan accounts for the reduction in the extent of cropped land. In this connection the objective of reaching a degree of stabilisation in the cropped area should be pursued. Fourth, with the problem faced with neighbouring Karnataka in regard to the Cauvery and the uncertainty of the flows into the Mettur reservoir which resulted in the Mettur reservoir not being opened for irrigation on the due date - June 12 - except in one year - 1979, during the Sixth and Seventh plan, the need for changing over from the water intensive crop like paddy to less water intensive crops like coconuts, pulses, banana etc. has not yet been explored. Fifth, while the need to increase the quantum of foodgrains particularly through improved rate of yield as Table 7 of Section 3 of the Appraisal shows, where between 1984-85 to 1988-89 Tamil Nadu stands second only below Punjab in the paddy yield rates, the state's objective for the state plan is wrongly stated as "attaining self sufficiency in the production of foodgrains". As long as we have the large mass of people living in poverty, which Table 2.5 of Part II places at 32.80 per cent of the people at 176.74 lakh in 1987-88 (but which is much larger according to the World Bank Study and MIDS study) wherein the poverty percentage varies between 40.43 to 50.2 and the absolute numbers from 2.01 lakh to 552 lakhs, self sufficiency should mean access to food for all these people. There is a detailed assessment of the agricultural performances in 1989-90 for which full data has been assembled. As the last year of the VII Plan, 1989-90 as noted was a good monsoon year, with South West monsoon arriving on time, and being plentiful and with the rains making up for the delay and deficiency of the North East monsoon. During the year there was increased HYV coverage, improved fertiliser application and lower incidence of pests and smooth flow of water for irrigation. The result was a rather sharp deviation (fall) in area under the foodgrains production from the target (but an increase over that of the previous year). The area and yield rate, for paddy, sugarcane, cotton, groundnut are reviewed and noted as satisfactory. Second, certification increased by 28.2 per cent over the previous year with HYV record under millets like that of paddy recording improvement; in fertiliser consumption the state during the year (and the previous 4 years) stood second after Punjab. The crop loans during 1989-90 exceeded the target by 24.10 per cent at Rs. 848·06 crores. The animal husbandry sector performance is disappointing and raises some serious problem. It is disappointing because the increases recorded are marginal" in regard to milk production, though the 1989-90 record of 34.60 lakh tonnes represents an increase of 1.8 lakh tonnes over the provious year, and egg production also increased by 18 crores for the year and fish production increased marginally in 1989-90 by 30 lakh tonnes over the previous year. It also raises serious questions because the per capita availability of milk in 1989-90 was not only stagnant compared to 1988-89, it continued to be 40.5 per cent short over the ICMR requirement; similarly the per capita availability of eggs was both

stagnant and was only 20 per cent of the ICMR requirement - of 44 against the required 183. In the case of fish and fish products there was a serious decline of 5/6 tonnes in the case of inland and marine fish available and 40 per cent decrease in fish production. These serious deficiencies need to be taken into account in structuring the cattle development project and the breeding programme, in refashioning the poultry development programme-of fingerlings and mechanised and non mechanised marine fishing. The report on forestry in the Seventh Plan and in 1989-90 (which is the last year for which data seems to be available) records a discouraging denundation of forest and forest cover both through unplanned industrial use and soil erosion. A disturbing feature is the continuing discrepancy between the data on forest cover reported by the Forest department and the satellite-Remote Sensing-according to which the real forest with 40 per cent tree cover is about half of what is officially reported at 16.6 per cent.

In the forecast for 1990-91, the appraisal document refers to the deficiency of both the south west and north east monsoons which resulted in a sharp reduction of both the gross sown area and the gross irrigated area and how despite this serious obstacle, the government's effective strategy-of water conservation, use of short duration varieties, increased use of appropriate fertilisers, and adoption of various agronomic practices aimed at increasing the production, of the crops - particularly, paddy millets, sugarcane, cotton and groundnuts. The result was that foodgrain production for the year was 76 lakh tonnes being only 5 lakh tonnes short of the year's target, rice production being at 57 lakh tonnes, only 3 lakh tonnes short of the target, and sugarcane is estimated at 24 lakh tonnes, cotton at 5 lakh-both on target and groundnut 1 lakh short of the target at 12 lakh tonnes. This was a good record and needs to be pursued further in future years to decrease our dependence on the rains and increase the cutting edge of human intervention and investment. In animal husbandry, milk production and egg production are estimated to have marginally increased but fish production suffered a serious decline from 4.1 lakh tonnes to 3.7 lakh tonnes. Here the Appraisal document calls attention to the importance of the animal husbandry components having a decisive effect on nutritional standards and calls for a comparative study of the rural-urban effect on the change in these components. The document also refers to the forest cover as being 17.2 per cent in 1989 on the unreliability of which the earlier comment holds, but its recommendation for a controlled and regulated policy of deforestation for industrial purposes and the regeneration of degraded forests should be acted upon. On irrigation in 1990-91, attention is called to the sharp decline in tank irrigation due to a) lack of a scheme of comprehensive renovation of tanks, b) the periodical silting of supply channels, c) foreshore encroachments, and d) unregulated release of water. The warning should be taken seriously that given the Cauvery bottleneck and drying up of tanks, the intensive drawal of groundwater at the present rate is more than what the recharging potential would permit and make possible the infiltration of sea and saline water which is occuring in many places. This calls for a regulated use of ground water on which legislation is needed and the switch over to drip irrigation to ensure efficient use of available water.

Industry

Industrial performance in the VII Plan was unsatisfactory. Over all the Industrial Index was 5.7 per cent compared to 7.2 per cent in the VI Plan. Industrial development in the VIII Plan was held back by the lack of power availability (which will be examined in the next section), the private industry still in the search for an expanding investment base, and the development of dialogue and understanding with the government, the need for government to improve the physical infrastructure needed by large and medium industries, the need for an attractive incentive package speedily administered to benefit the small entrepreneurs, ensuring improved performance of the state production sector undertakings and increasing union government investments in the state. There is a reference in the document to the government's providing capital subsidy to large and mega industries, extending and liberalising the sales tax waiver and tax holiday schemes, inviting the private sector to take up power generation, improving the viability of state's enterprises, strengthening and expanding industrial estates and growth complexes and securing early clearance by the union government of projects. It is too early to expect the enterpreneurs to respond to the package which has been further elaborated and emphasised in the budget session for the 1992-93 budget. One question that needs investigation is whether there could be a reduction, if not abolition, of various controls and clearance by inmumerable departments of government which discourages the entrepreneur The single window for such clearance has been repeatedly promised but it still has to be implemented. More than all other items to the package this reduction of controls and single window quick clearance is what industry wants. In this connection the recent order that all projects above Rs. 1 crore must be cleared by the minister is a move in the opposite direction.

Turning to 1989-90, industrial growth in 1990 (January-December) is reported at 5 1 per cent compared to 1.2 per cent in 1989. One positive factor making this possible was the improved power position in 1989-90. While electricity performed well during the year, manufacturing recorded only modest growth from 2.4 per cent in 1989 to 2.6 per cent in 1990 as noted in Table 5 of section 6 of the document. The industrial groups which did poorly in both 1989 and 1990 were machines, machine tools and parts and other manufacturing industries particularly railway coaches and sugar. The Annual Survey of Industries which comes out with a 3 years time lag, but on which the ASI at the state level, makes available data for the one full year in advance shows in 1987-88 there were 13,971 factories with Rs. 4,92,893 lakhs fixed capital and Rs. 2,20,422 lakhs net value added and 3,14,808 employees. This table when translated in 6 structural ratios shows, Tamil Nadu industry becoming more capital intensive at Rs. 0.85 lakhs per employer in 1987-88 over Rs. 0.42 lakh per employee in 1986-87 and productive capital also increasing from Rs. 0.59 lakhs to Rs. 0.77 lakhs per employee. In the textile field, the mill sector continues to lose ground (as the handloom sector also does) vis a vis the power loom sector which is responsible in 1989-90 for more than 50 per cent of total cloth production. Their numbers increase year after year, being 1.83 lakh in March 1990 against 1.78 lakh in March 1989. The Appraisal document highlights two important industrial issues in the state. One is the growing problem of industrial sickness both among the large and medium industries (non SSI indus-

tries) and small (SSI) industries. There were 112 large and medium industries which RBI classifies as sick in which a credit of Rs. 229.92 crores were locked up. In addition there were 48 units which had suffered 50 per cent erosion of their net worth. The leading groups of sick industries are engineering (25 with Rs. 53.20 crores credit this year), textiles (Rs. 23 with Rs. 50.51 crores credit dues) and chemicals (15 units with Rs 15.93 crores credit tie up. With regard to the small scale sector the number of sick units has increased from 30,942 in 1987 to 31,245 in 1988 the credit locked up increasing from Rs. 193.45 lakhs to 201.92 crores. The analysis and causes for sickness are the same as those given in past years. The remedying that is advocated is t refer those units to BIFR. But BIFR has shown itself to be a toothless agent and unless it is vested with power a) to investigate these defaulting firms with help of CBI and b) given powers to close units and extract from the managements the funds they raise from the public and shareholders that have been misappropriated, referring these case to BIFR will be a waste of time. The other important problem is set forth in table 30 of this section, on the return on the state investment of Rs. 1612.15 crores in 1988-89, which was an 8 per cent increase over the previous year. The return in 1988-89 on this large investment was minus Rs. 87.53 lakhs which was a 5.4 per cent increased loss over the previous year. What is most disturbing is that in 7 out of the 10 groups in which the state investment has been made, net losses are recorded at an increasing rate in 3 groups with agriculture joining the group of loss making units. The moral of this table is clear-that the government should get out of the business of running those enterprises in which it has no expertise and leave them to be run by those who have the expertise, the private sector managers and enterpreneurs. The problem faced in government getting out of this loss accumulating business is that the number of employees in them is large at 1,38,767 and is increasing (from 1,33,471 in the previous year 1987-88). This is where an exit policy is needed and if the union government is holding back on it for non technical reasons, the state government should negotiate with the Trade Unions of the concerned undertakings in order to arrive at an arrangement for pulling out of these enterprises and transferring them to those who could run them, including the workers. The Appraisal Document reports that the industrial performance in 1990 had improved recording a growth of 5.1 per cent against 1.2 per cent in 1989. It also reports that during the first four months January-April, 1991 the improved industrial performance continued at 4.5 per cent, so that for 1990-91 industrial growth was 4.9 per cent. In particular it reports that SSI did well in 1990-91 with the total number of profit making units increasing from 1.14 lakh units at the end of March 1990 to 1.27 lakhs at March 1991, with the value of investment increasing from Rs. 2045.84 crores to Rs. 2289.84 crores, the value of production increasing from Rs. 6287.19 crores to Rs. 6996.11 crores. It is assumed, however, that the two problems to which attention was called in relation to the industrial performance in 1990-91 are still present and demand action.

Power

Turning to power, the VII Plan record was a mixed one, an increase in annual installed capacity from 4.3 per cent in the VI Plan to 10.4 per cent in the VII

Plan, the per capita consumption from 1.5 per cent to 7.6 per cent between the 2 plan periods. In generation there were during the plan some problems; in the supply being short of continuously increasing demand; in hydel power potential being limited to mini hydel plants which have not been able to counter the wide fluctuation in hydel generation caused by fluctuation in the monsoons; in thermal generation, the plants faces continuously a shortage in coal supply, the coal stocks in some plants declining to less than a week's requirement; atomic power at Kalpakkam is still in the starting stages and so is subject to constant interruption due to operational problems; wind power is just starting; and solar power is still not cost effective.

In 1989-90 TNEB's installed capacity increased by 350 MW, power consumption increased to 14,120 MU in 1989-90 over 13,639 MUs in 1988-89, with industry consuming over 42 per cent followed by agriculture at 27 per cent. In 1990-91 the document reports increases in gross power availability from 11845 mu in 1989-90 to 20789 MU due to improved TNEB generation. For the year the power deficit is estimated at 871 mu against the total power requirement of 21660 MU, the main sufferer being industry which faced a power cut of 10 to 30 per cent during the year.

Prices

The Seventh Plan period was a time of high inflation with the wholesale price index recording a rise of 9.2 per cent which was more or less the high inflation level in the state during the VI Plan. In 1990 the whole price index rose to 9.8 per cent. Breaking down this price rise by groups, the major pressure on prices come from manufactures (62 per cent), and food and primary articles (36 per cent). Rural consumer prices computed by the CSS monthly abstract of statistics shows a high level of inflation for agricultural labourers and families, but the consumer price index of selected essential items for rural Tamil Nadu for the same period shows a low rate of inflation at 4 per cent. Is this because Tamil Nadu continued to base its index on the year 1970-71, whereas all prices - wholesale and consumers price base to come into line with the all India base (and that of the other state's base), namely 1980-81? When it comes to the important parity index, the document does not attempt to compute the relative parity of the prices paid and prices received by the farmers, because in this case the base year goes back to 1954-55 and is now being revised.

Employment

The Appraisal document provides some useful data on the employment/unemployment/underemployment situation in the state - using material from the 43rd round of NSS which covers the period July 1988, which in some cases presents opposing factors. For instance Table I of the section 8 shows that using both current weekly and current daily status estimates, the number of persons employed per 1000 was higher in the state than in all India.

	Current Weekly status				Current daily status			
	Rural		Urban		Rural		Urban	
	Male	Female	Male	Female	Male	Female	Male	Female
Tamil Nadu	540	362	541	193	533	334	511	178
All India	504	230	492	119	501	207	477	110

On the other hand table 20 shows that Tamil Nadu has the second highest number of unemployed at 13,44,000 next only to Kerala at 18,79,000. Similarly the under employment for both rural and urban males was second highest next to Kerala. The document reports that employment generated in the state during the VII Plan was 1,26,700 which is a steep decline from the VI Plan employment generation of 2,59,100. This decline is attributed to i) reduced employment generation in manufacturing by 2400, ii) a slow down in service sector from 1,50,300 to 87,400. Table 6 & 8 of the sector's summary employment in the public and private sectors show, unlike the previous year, that private sector employment increased faster at 17,200 in 1989-90 than the increase of 5,000 in the public sector. In the private sector the increase in women's employment at an additional 12,200 (71 per cent) and that of manufacturing at 17,900 should be noted. The record of the State's registered or educated Employment continue to be disturbing. The total number of those registered for jobs is 3,02,800 at 31 March 1990, which was an increase of 20,400 over the registrations at 31 March 1989. An equally disturbing feature was that 88 per cent of hose registered are educated. In a further break up of the educated unemployed, it is found that while those with SSLC qualifications declined in the number registered by 28,820, those with graduate qualification shot up by 71,725 in 1989-90 compared to the previous year. This is a reflection on both the low rate of employment openings both of wage/salaries employment and self employment, and irrelevance of our university education curricula and learning. This latter is remediable and instead of wasting time on searching for reasons as to why graduates from Tamil Nadu do poorly in IAS, IFS, IPS examinations, curricula reform at the university level to make its graduates develop aptitudes for self employment to make them employable should be undertaken. In this connection the Appraisal document points out that in the VII Plan the state has been taking steps to generate employment. But these are short term relief measures, it points out, so that what is needed is to restructure agriculture, industry and services so that they are employment generating and opening new areas like horticulture, sericulture, dairying, leather garments, software development for increasing both the volume and area of employment. The role of education is to make its clients - students and teachers - employable.

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Summary of Discussion

Dr. Malcolm S. Adiseshiah in his presentation of the Tamil Nadu Economic Appraisal (1990) mentioned that the document had its continuing drawback of being dated, as reflected in the tables and analysis. An urge was therefore made to circulate a roneod appraisal document. As such the document would not be of much useful to the Legislators, Departments and State Planning Commission. He considered the document to be of greater utility to the research scholars and students.

One of the salient features of the document was the areas demarcated as demanding special and concentrated attention viz; reduction in educational dropouts and wastage, means of lowering birth rate and IMR, providing safe drinking water and accelerating industrial growth.

The structural composition of the Tamil Nadu Economy shows a decline in the contribution of the primary sector to the state income from 26 81% in VI Plan to 23.88% in VII Plan. The service/teritiary sector however shows a sizeable increase from 40.67% in VI Plan to 45 28% in VII Plan. Within the service sector is the alarming growth in public administration of 16.04% over a five year period. On the quality of life indicators the birth rate dropped from 24.7 to 23.1 per 1000 persons and death rate from 9.5 to 8.6 during 1989; the IMR index also reflected the same pattern from 81 to 68 per 1000 during the same period.

In the case of primary school retention the government reports that drodout rates have declined from 22. 5% to 22.1% But this according to the author is not in conformity with the studies and surveys conducted by TNSC & ST which put the figures much higher in rural areas.

Agricultural productivity is linked to the quantum and optimum distribution of rainfall. While sugarcane, cotton and plantation crops did quite well during the VII Plan, the nutritionally important crops like pulses and oilseeds did poorly which had implications for the food consumption patterns of the rural poor. Added to this is the uncertainty of water availability from Mettur reservoir and the need to switch over from water intensive crop like paddy to less water intensive crops.

On the question of proportion of the population below the poverty line of 39.80% in 1987-88; the author was not in agreement with the Appraisal document, but added that the World Bank and MIDS studies showed the variations to range between 40.43% to 50.5%. Milk, egg and fish production were also short of ICMR requirements.

The industrial scene too is not very encouraging with the problem of sickness among large and medium industries. There were over 112 sick units with locked up capital to the tune to Rs.230 crores. In respect of unemployment, the number of unemployed and under employed figures for rural and urban males was next only to kerala.

During the discussions that followed the presentation, the need to impart proper training for the legislators in using the documents was emphasized; so that the empirical data could be analysed and articulated in the policy making process.

Another participant mentioned that although the fall in share of agriculture in SDP was part of the development process, it is not so in respect of Tamil Nadu. The reason for the fall in agriculture is due to the fact that there has been no sustained growth in agriculture. However, since the fall in the share of agriculture has not been followed by a fall in the number of people engaged in agriculture, the percapita income in rural areas is still very low.

He also added that instead of using the expression, self sufficiency, it is better to use the phrase 'self reliance'. Since the state has become more dependant on central allocation it would be desirable for the state to be more self reliant on food production. It is however not easy to attain complete self reliance.

The main crop of Tamil Nadu is *Samba* crop which is sown during the North East monsoon and is subject to pest and diseases. Unless a variety is evolved which is resistant to pest and disease, it is not possible to raise the productivity. While this is easy with regard to *Kuruvai* there is a constraint in respect of availability of water.

On the question of "self sufficiency" another participant mentioned that irrespective of surplus or deficit, net inflow of foodgrains from the central pool was indispensable to distribute through the state's Public Distribution System. Central pool allocations have several political dimensions and implications which need to be examined carefully.

Another participant referred to the lack of data pertaining to exports in the industrial production data provided in the Appraisal document, which makes analysis and interpretation of the export contribution of the state more difficult.

On the question of comparative advantage another participant cited the case of some Northern states which export high value "Basmati" rice. He suggested that Tamil Nadu could export such high value commodities and import cheap coarse rice from Thailand, rather than stress self sufficiency in rice production at the state level.

The author while responding to the queries mentioned that referring the sick units to BIFR without any power to investigate the defaulting firms was a sheer waste of time in the absence of an exit policy. He wanted the state to keep its hands off sick units. The author also pointed out the alarming feature of the industrial scene of rising capital intensity and the states desire to have more such units. He also advocated abolition of controls and clearances by different departments, and replacement by a single-window clearance system, rather than the long list of incentives currently provided for industries.

On the question of changing cropping pattern and rotation of crops based on water availability the author felt that individual farmers may not be in a position to take such bold decisions.

The author also provided a clarification with regard to the definition of 'self sufficiency'. In his opinion, self sufficiency means "adequate food for the *consumption* of all the people of the state" rather than self sufficiency in production.

V. JACOB JOHN

Some Comments on Some of the IMF "Conditionalities"*

Prolegomena

At the outset, I wish to make it clear that I am one of the economists whose position is, that given the all round crisis of the economy - in inflation, in growing unemployment and under employment, in rapidly dwindling foreign reserves, in mounting balance of payments deficit and the prospect of our not meeting the repayment obligations on our foreign debt, in the falling exports and increasing imports, negative industrial growth and declining investments - there was no alternative to resorting to the IMF for a loan. I have studied the other alternative schemes that have been proposed and I find that none was viable to meet the comprehensive internal crisis and the near total international bankruptcy facing the economy. I also acknowledge the right of the lender to lay down condition for the grant of the loan that is being negotiated. Incidentally I regret the IMF and the World Bank use the ugly word, which they have coined for this purpose, called "conditionality", when the term conditions for the loan is proper and adequate.

The conditions attached to IMF loans increases and hardens as the loans increases both in size and its sources. Thus the Reserve Tranche drawal is really withdrawing of a country's reserve deposit with the Fund, and its drawal has no conditions attached to it. The conditions begin with the credit tranches and become heavier under the extended fund facility and the other facilities, which are used to finance the programme of adjustment which set forth the objectives and policies that will have to be followed for the whole period of the loan.

These are set forth in pp7 to 15, including their application to India, in the December issue of the Journal, Banking Finance. Some comments are offered on some of the conditions attached to the IMF loan to India.

Fiscal deficit

One condition set by IMF and accepted and put into effect by the government is the reduction of the fiscal deficit in 1991-92 from 8.7 per cent to 6.5 per cent of GDP, to be continued in 1992-93 through the further reduction from 6.5 per cent to 5 per cent in order to contain inflation and make devaluation effective in reducing the balance of payments deficit.

*An article by Dr. Malcolm S. Adiseshiah for the Journal, Banking Finance, Calcutta, March, 1992.

Empirical evidence shows that the fiscal deficit is not related to the inflation rate but to the budget deficit which determines the supply of money and which feeds inflation. Using data from IMF's International Finance Statistics for 1983-1990, it is found that there is no relation between the rate of inflation and the fiscal deficit as a percentage of GDP in several countries. Yugoslavia's fiscal deficit in this period was almost nil at 0.05 per cent of GDP while its rate of inflation averages a high 99.25 per cent. Ghana's fiscal deficit was a mere 0.96 per cent, but its inflation was 48.27 per cent, Paraguay's deficit was 0.41 per cent of GDP while its inflation was 27.56 per cent, Venezuela's fiscal deficit averaged 1.27 per cent of GDP, but its inflation rate was 24.13, and so on. On the other hand, rate of inflation is related to the per cent increase in reserve money generated by the budget deficit. Taking the above countries - in Yugoslavia, budget deficit augmented reserve money creation during the period by 251.99 per cent, Ghana by 39.49 per cent, Paraguay by 28.94 per cent, Venezeula by 23. 49 per cent, while countries with single deficit inflation like Belgium at 4.14 per cent recorded increase in reserve money creation of 1.20 per cent, Ireland 5.60 per cent and 6.82 per cent, India 7.66 per cent and 17.81 per cent and Italy 8.70 per cent and 12.29 per cent. This IMF condition of emphasising the fiscal deficit rather the budget deficit is derived from the experience and applies to countries like the US and not to countries like India.

There is also atleast 2 problems in implementation of the reduction effected in the fiscal deficit in 1991-92. Unlike the hope expressed in the journal article that "the envisaged reduction in deficit was proposed to be effected by rationalising the non plan expenditures and resorting to additional taxation", the reduction has been attained by squeezing capital outlays in the Plan, which resulted in the 1991-92 Plan being cut by 7 per cent and the Plan for 1992-93 being held constant in real terms. The proposed outlay of the 1992-93 Plan is Rs. 48,407 crores which is a nominal 12 per cent increase over the 1992-92 Plan outlay, but given the 12 per cent rate of inflation, represents no increase. The second problem is that the outlay on social services, that is the expenditure on poverty alleviation, employment generation, health care, primary education and adult education are either reduced or held constant for 1992-93 to meet the reduction in the fiscal deficit. The budget outlay for primary education, for instance, has been reduced by Rs. 3. 45 crores which means that the goverments commitment to universalise primary education by 2000 AD will not be met. On rural development and social sectors taken together the plan outlay for 1992-93 is Rs. 7738 crores against Rs.7659 crores in 1991-92, which means a sharp reduction in real terms.

Hence two suggestions are made on this condition. One is to get IMF to shift from concentrating on the fiscal deficit on to, the more immediate budgetary deficit which increases the quantum of money supply through the money multiplier process and the income velocity of money. Therefore attention needs to be paid to the budget deficit and its reduction. Second, because of the squeeze on the social services particularly poverty alleviation and employment generation following from the attempt to reduce the fiscal deficit in 1992-93 by 5 per cent, (over and above the reduction to 6.5 per cent in 1991-92), this condition could be renegotiated with the IMF to make the fiscal deficit reduction 5.5

or 5.7.in 1992-93, so that the social sectors allocations need not be so heavily reduced.

Exports and Imports

Another condition for the IMF loan is that in order to improve the balance of payment, exports should be increased, and controls and tariffs on imports should be lessened and abolished. But exports are conditioned by many factors, the most important of which are the price of a country's exports in the world market, the extent of the debt burden and other policies. Unless these are also tackled, exports expansion will not provide growth and development. In several Latin American and African countries, the surge in exports has not pushed their economies into the virtuous circle of higher investment, higher productivity and still higher exports. Mexico increased its exports by an annual average of 23.8 per cent during the 80s, but its economy grew only by 0.5 per cent due to its large international debt. Again Brazil which earned $34.6 billion in 1989, free exports recorded a manufacturing growth that year at 1.5 per cent.

Similarly IMF and the World Bank have made import liberalisation a condition. India is expected in 3 years to remove all import licensing for capital goods and raw materials (except for a small negative list) and to decanalise all items except those that are essential. Import duties have to be rapidly reduced by 50 per cent with a maximum rate of 35 per cent. This would boost exports, and make imports available to export for this purpose. But there are some limitations and warnings that need to be taken into account when administering the policy. First, the debt burden must be reduced in order to boost the country's international trade. India's external debt was $62.5 billion as at 1989, and servicing it at 26.4 per cent of export income acts as a drag on exports. Again UNCTAD in its study of 31 countries for which data were available casts doubts on associating too quickly a liberal imports regime and success in expanding exports. It is found that while some countries with highly protective domestic industry like India, Argentina, Peru & Yogoslavia recorded low rates of export, other countries like Indonesia, Turkey and Venezuela which had the same protective walls did well on exports. There are also cases where countries like Bolivia, Ghana, Jamaica and Uruguay which have dismantled their protective walls on imports but show sluggish exports.

Currency devaluation does not always lead to export growth, as expected by India in its two stage devaluation of the Rupee, and third stage involved in the partial convertibility of the Rupee announced in the 1992-93 budget. The UNCTAD study shows that 11 countries which had a 30 per cent devaluation are not doing well on export growth, on which the low export performance of Argentina, Bolivia, Ghana etc. are cited as examples. Even when exports expand, its benefits may not be widely shared by the people. Against the experience of Hongkong, Singapore, and South Korea where export growth has led to its benefits being widely shared are the cases of Gabon, Kenya and Ghana where export growth have increased inequalities. So OECD suggests that in order for export growth to reduce poverty, the country should export agricultural commodities produced by the small farmers and some manufactured goods like textiles and electronics which are labour intensive. But agricultural exports will be possible only if there is increased agricultural output and this requirles

further intensified agriculture, as our land availability is limited. Hence the use and availability of fertilisers where the question of subsidy and retention price is raised, the increase and multiplication of agricultural research on plants and seeds in relation to the ongoing debate on Intellectual Property Rights, the procurement prices for agricultural products, the production frontier for the small and marginal farmer, are all important inter-related questions which come up in connection with the agricultural price policy in the IMF conditions.

Exports level and export profitability are affected by the partial convertibility of the Rupee announced in the budget. It was thought that as under the Ex Im Scrip, exporters could sell only 30 per cent of the export sales at free market rates, and as the partial convertibility double their free market export sales at 60 per cent, making exports more profitable and import more costly there would be a push to exports and some hold back on imports. But it all depends on the import intensity of exports. The higher the intensity, more will there be the area in export profitability and therefore the intensive development of exports. But the latest FICCI study reports that as a result of the partial convertibility, the private corporate sector in 1992-93 will earn $9.7 billion as the 60 per cent of its export earnings against which its imports from the general currency area will be about $11 billion, involving a shortfall of $1.3 billion.

External debt, employment generation and poverty alleviation

Our external debt and its servicing referred to earlier are ignored by the IMF conditions. The burden of amortization including interest payment which amount to 26.4 per cent in 1989 (and now nearing 30 per cent), calls not simply for the reduction of the fiscal deficit, but the running of a surplus in the country's current account. The country has to run a net fiscal surplus which is the excess of its revenue receipts over its current and capital expenditure. Such a surplus will improve the country's balance on current account and improve its debt scenario. This scenario which involves moving from the current fiscal deficit to a fiscal surplus situation will take a long time. What is needed now is an important supplement in some form of partial debt cancellation as was done for Poland and Egypt.

The IMF adjustment programme by raising prices through cutting subsidies, particularly of foodgrains and wage goods generally and reducing the provision for poverty alleviation and employment generation will be making the weaker sections in society worse off. This is the experience of all developing countries which have adopted this kind of adjustment programme of the IMF and World Bank. The IMF and the stabliation cum adjustment programme needs to be supplemented by programme aimed at employment generation and poverty alleviation on which the IMF has nothing to say directly or indirectly in the conditions it sets forth.

Education as a Resource*

Education for what human development or human resource development? Education for whom : for those who can afford to pay or for everybody who wants it? Education by whom : through the State or through private initiative? These were some of the seemingly innocuous questions which provoked considerable discussion and led to the identification of a long agenda for research at a recent Workshop on "Education for Human Development" jointly organised by the Madras Institute of Development Studies and ICSSR at the Institute for Development Studies, Mysore.

The crucial difference in the perspective of education for human resource development (HRD) as opposed to human development (HD) arises from the fact that HRD treats education of the individual in a society as a means to some end - increased productivity, improved technology, and so on, whereas HD considers education as an end in itself, towards the empowerment of individuals as self-governing entities. This distinction is important not so much for semantics, as for prioritising resource allocation for education among competing levels (primary, secondary, higher), types (general, technical), methods (formal, non-formal, distance). There were in all nine papers on various aspects of education as a resource, and as many as 40 participants from different disciplines.

State of Indian Education

Even after four decades of independence, increase in literacy rates is still on the increase. The literacy rates of rural people, especially women, Scheduled Castes and Scheduled Tribes are worse than the population as a whole. While the magnitude of illiteracy itself is enormous, in several states it is more so with literacy rates much worse than the national average. Enrollment of school age (upto 14) children is only 20-30% of the school age population. Even among the so-called literate population, the proportion of people with educational levels better than elementary is very low.

The factors which help or hinder "demand" for education at different levels have to be understood better. There is need for examining why the demand for primary education is still so inadequate, particularly in rural areas, as to make the goal of universalisation of primary education unrealistic. While the education of the mother seems to have a significant

* Report prepared by a group of participants of the Twenty-Second Interdisciplinary Research Methodology Workshop held at Institute for Development Studies, Mysore, from June 3-6, 1992. This was the first of a series of three Workshops on "Human Resource Development".

effect on child health and the demand for children's education, we do not have adequate knowledge of factors which hinder the demand for, or participation of women in the education process. The need to apply econometric methods for estimating the demand for education at different levels by sex, residential status (rural / urban), level of education and occupation of the parents, and the supply conditions of the educational system such as location, availability and cost of transportation, noon meals and other facilities, and the relevance of the curriculum is emphasised.

The state of higher education is not healthy either. While there has been a quantum jump in the number of higher educational institutions, there has been a decline in quality. This situation has resulted because policy makers have taken the line of least resistance (such as creation of islands of excellence and privatization), rather than revitalising the deteriorating university system.

The result of an explosion in the number of educated individuals entering a virtually stagnant labour market has been a sharp increase in the incidence of unemployment. There has also been a mismatch between the products of higher education and the needs of society. However, this situation has not led the private sector to give direction or support to the educational development of society. Instead, it has passed on the brunt of the burden to the formal state funded education system.

Such a diagnosis of the crisis in Indian education and the suggestions for reforms have been presented by a number of education commissions. But the needed reforms have not taken place because of the lack of political will to treat education as central to societal development. Such a political will can be generated only through the collective voice of the people, and to that extent, on-going programmes such as total literacy campaigns and non-formal education for drop-out children do play a very important role. They are to be considered and conducted not merely as programmes to make the society literate, but to empower the people as individuals aware of their environment, and able to participate in the processes of desirable social change.

However, the State cannot lose sight of its responsibility to equip the society to cope with the increasing demand for higher education - both general and professional - concomitant with the advances in science and technology. But this responsibility is becoming increasingly difficult to discharge supposedly on account of the resource crunch. One point of view is that higher education must not depend on public funds. The argument is that higher education is more specifically to cater to the sectoral needs, the returns are more for the private (individuals / industry) sector than for the society as a whole, and that there is an increasing need to privatize it. Moreover, there is a role for both public and private initiatives. While the former is necessary in the areas such as setting standards, accreditation, etc., the latter may provide *innovative* educational systems. But there cannot be a categorical stance on this issue without proper assessment of the social costs of providing adequate and equitable amount of higher education of good quality.

Such an assessment may lead us to accept strategies such as (a) full - cost recovery (from students or from those who employ them when they graduate) of higher education provided by the state; (b) breaking the monopoly of a few private institutions by allowing more private initiative; and (c) rapidly expanding the

opportunities for higher education through the distance mode, capitalizing on the vastly improved technologies such as satellite communications. Adoption of such strategies may require a concurrent shift in the policy to support through loans to individual students (based on merit, means criteria and so on). Strategies to effectively implement, administer and monitor the mechanisms of subsidizing a vast number of individuals are also crucial.

Human Resource Development within the Education System

While the key responsibility of the educational sector is to develop the nation's human resources, not much attention is now paid to the systematic development of the human resources in the education sector itself, viz., the teachers and administrators. Till recently training has been used as the only mechanism for developing human resources in the educational system whereas there is a need to consider other mechanisms such as development oriented performance appraisal systems, proper reward structures, appropriate selection procedures, potential development, feedback and conselling, and organisation development. The success in the implementation of these mechanisms is dependent upon the creation of the appropriate organisation culture, since the existing educational administrative systems mostly tend to be regulatory rather than developmental.

Innovations in Educational Systems

Formal education is believed to have a limited function and has failed in its duty to create social sensitivity and responsibilities. Such a dismal position can be remedied by providing a refined "study culture" for students and "work culture" for teachers. In particular, students need to be trained to acquire a scientific temper, self-reliance and social conscience through an integrated programme.

The most important task in seeking the so-called alternative paradigms in education is to firmly separate paradigmatic explorations from dogma. For, in reality many popularly prepounded "paradigm shifts" are actually shifts from one position of dogma to another. The essence of a paradigm is the internal consistency in its constitution - number of theoretical premises, mutually supportive, generating a variety of fresh hypotheses for extended generalizations, and all of these proceeding with the emergence of appropriate methods, techniques, and specific tools in the various stages of observation, analysis, inference and theory building.

One such example of an alternative educational system was described as a case study. The internal consistency among the principles in this primary-school for the rural poor could be linked to important theoretical premises in the behavioural sciences. Examples are : a) the "pygmallion" effect of behaviours being determined by the labelling (consciously or unconsciously) of pupils by teachers; and following from this the importance of creating learning environments which promote positive self-concepts regarding learning abilities and competence; b) the recognition of *love* as a desirable biological need (and not a luxury), and its significance in the school environment as a foundation for an integrated body-mental health; (c) the definition of teacher as facilitator of learning rather than as transmitter of information; and the extremely

important task of reorienting the teacher's value system to the alternative perspective; (d) the importance of stimulation and motivation through non-evaluative means for maximizing rates of learning; and (e) the importance of cooperative effort in all learning tasks moving away from all competitive impediments.

There is need to re-examine and demolish several stereotypes that might operate as unquestioned assumptions or dogmas in education. Instances are gender and sex role stereotyping (e.g needlecraft and woodwork); subject status stereotyping (eg. music and crafts versus science and mathematics); language stereotyping (the questionable nature of the medium of instruction conflict); and learning rate stereotyping (what is possible at what age).

Several process indicators were described to substantiate the positive outcomes of the alternative paradigm, reflected in student motivation, self sufficiency, maturity in learning, community involvement in education, cost-effectiveness of the programme, and so on.

There is a dire need to thoroughly document the experiences of such alternative models for further understanding, and creating awareness and optimism among educational planners that resource constraints need not deter human development through education.

Models for Participatory Education

The limitations of the conventional approach to adult education has led to a search for alternatives. One such alternative is the participatory approach which believes that people cannot be developed, but can develop themselves through their own actions. For this they need to be empowered through a facilitating process to utilise their own skills and potentials. The underlying principle of this approach is the willingness on the part of the teacher/trainer to accept the competence of the learner to choose what and how they want to learn. For the effective implementation/use of this approach, the rigidities of the conventional requirements of eligibility, evaluation, and accreditation of learners need to be relaxed.

While adopting the participatory approach to education one has to be cautious about some ethical issues such as how to promote informed choice in the group without imposing preconceived options and directions from the change agent and how to help the group through stages of "resetting" and "refreezing", going beyond the techniques of "unfreezing" only at the start, as all changes in individual group behaviour invariably imply confronting and resolving conflicts.

To conclude, the Workshop covered a wide gamut of issues starting from the problems of illiteracy and the crisis in higher education, to institutional and financial reforms of the existing system, human resource development for teachers and administrators, and finally, innovations such as "participatory approach" for adults, and creating alternative environments that promote learning and motivation in the case of children. Most of the participants agreed that the Workshop was a worthwhile exercise, but some felt that the ideas generated at it need to be widely disseminated if they are to be profitably utilised by public and private agencies in the education sector.

Book Review

Gilbert Etienne et.al., *Asian Crucible : The Steel Industry in China and India*, Sage Publication, New Delhi, 1992, p304, Rs. 285 (hb)

The book under discussion is a timely contribution inasmuch as, while tracing the growth of the steel industry in China and India, the authors also evaluate, in the process, the character of economic growth in general and the functioning of the industrial policy in particular in the two countries.

The tediousness of the entire presentation notwithstanding, important aspects brought out by the study include :-

(a) The capacity of the Chinese economy to consume as much as 56 Mt. of finished steel against about 13 Mt. by India, (here it may be noted that China has been importing a very large quantity of steel ; they imported about 11 Mt of finished steel in 1988 against 1.5 Mt by India). The all-round development of the Chinese industry has been at a far more accelerated pace as a result of which, steel production / consumption in China is merely in alignment with the overall economic indices and meshes with the proportionately higher level of economic activity. [p 269]

(b) In China, the centre's role is mainly supportive and limited to fixing the overall targets, technology plans and coordination of and with the iron and steel and its input industries on the one hand and user industries on the other. In the decentralized scheme the controlling authorities are the provinces, municipalities and autonomous regions. Here also the areas of control and dissent are limited. In most cases there are clear guidelines. The decision-making process in the steel plants is not hemmed by organizations such as the Bureau of Public Enterprises; neither do they have to cover their flanks against postmortems [such as the Committee on Public Undertakings, Audit Board, etc., in India]. The decisions taken at all levels were felt to be faster and bolder in China. [p 67]

(c) On the question of design and technology development, the authors note that, in India (unlike as in China), the absorption of technology and manufacture of equipment did not accrue within the steel plants nor did this seem to have been an aim. Whether it was a major expansion or a new plant, the authors point out that it was tied up with foreign credits for all major aspects of the design of the plant, its projection units, division list of equipment, etc., Besides all the major expansions and new plants have involved external assistance with the donor countries on the driving seat with their own interest as apposed to indigenisation. Though a Central Research and Design Organization was set up in the early seventies, for one reason or another it was not very effective in its contributions. It had dffficulty in selling its ideas and gaining the confidence of the steel plants. [p 227-28]

(d) As far as manpower in steel plants is concerned there are major differences between the two countries. Chinese wages are lower, the number of officers

much lower and the highest wage for the top executive was only about two times that of the lowest paid worker. In China, activities such as [i] maintenance [ii] in plant manufacture of components, sub-assemblies and in many cases, modification and new equipment, erection [iii] commissioning and in case of second-hand equipment purchased from abroad, its dismantling etc., are grouped together and the manpower employed for these activities is much higher in China. As far as management and leadership is concerned, there is greater continuity of top executives in China and they are almost invariably thrown up from within the organization. There is greater decentralization and autonomy, conditional on their meeting the production targets. If they fail to do so the consequences are severe including reduction of wages and moratorium on expansion. [p 275-76]

This being a field-based study micro-level documentation of some of the important observations would not only have enriched the study but exposed starkly the politics of the process of industrial development particularly in India. Observations relating to MECOM and HMBP playing second fiddle and presenting a picture of conflicting interests vis-a-vis the steel plants should have been concretely explicated. Likewise, the fact that external assistance involved donor countries occupying the driver's seat with their own interest as opposed to indigenisation, could have been explored indepth, by, say, examination of specific collaboration agreements, etc.

Another important observation made in the context of appraisal of SAIL's performance is that there is, " relatively lesser sense of belonging to and identification with the well-being and success of the plant on the part of most of the employees". [p 70]

Detailed interviews with employees at various levels would have helped capture to some extent why commitment to enterprise did not rate high. The composition of labour (including the percentage of permanent, contract, casual labour etc.) *alongwith* a break-up within these of those that form the managerial, maintenance, etc. cadres (over a period) would have given a clue to the lack of commitment found among the Indian workers as compared to their Chinese counterparts. Details of labour restructuring consequent upon changes in technology and vocational training of labour are some aspects not adequately dealt with in the study.

In the context of the vociferous demand for even more liberalization of the economy, the concluding statement made by the authors (stemming from their analysis of the steel industry in China and India) needs to be boldly underlined: "Now there is a risk to fall into another trap: rightist dogmas, whereby free enterprise and the market are the golden keys or the panacea for all ills. As shown by South Korea and the province of Taiwan in recent times, the question is not 'for or against' the public sector but for an efficient economy where the state has a large role to play not in slowing down development as has happened so often in the Third World, but in stimulating economic growth and channelling it in the proper way while giving their due share to social factors as well".

PADMINI SWAMINATHAN

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